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Report of the
Bengal Provincial Banking Enquiry
Committee
1929-30

Volume I

Report

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Cost of the Enquiry.

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Report of the Bengal Provincial Banking Enquiry Committee.

We, the undersigned members of the Provincial Banking Enquiry Committee, Bengal, have the honour to submit, on the conclusion of our labours, the following report for the information of the Indian Central Banking Enquiry Committee.

Part I.

Introductory.

CHAPTER I.

Working of the Committee.

2. **Appointment and Personnel of the Committee.**—The history of the appointment and constitution of the Central and various Provincial Banking Enquiry Committees “to investigate the present condition of banking in India and to make recommendations for their improvement and expansion” will be found in the letter which the Hon’ble Mr. E. Burdon, C.S.I., C.I.E., I.C.S., Secretary to the Government of India in the Finance Department, addressed to all Provincial Governments in April 1929 [No. F. 2 (III) F/29, dated 3rd April 1929]. In pursuance of the policy and procedure laid down therein (vide paragraphs 5, 6 and 9) the Bengal Provincial Banking Enquiry Committee was ushered into being by a Government of India Press Communiqué (copy forwarded with Bengal Government, Finance Department, letter No. 3679F., dated the 30th July 1929) which announced its personnel as noted below:—

- (1) Mr. K. C. De, C.I.E., I.C.S. (Retired), *Chairman*.
- (2) Khan Bahadur Maulvi Hemayatuddin Ahmad (Secretary of Barisal Central Co-operative Bank), co-operative expert.
- (3) Dr. J. C. Sinha (head of the Department of Economics, Dacca University), Indian economist.
- (4) Rai Badridas Goenka Bahadur, C.I.E., M.L.C. (merchant and banker), representative of commerce.
- (5) Dr. Narendra Nath Law, Ph.D., representing indigenous bankers.
- (6) Khan Bahadur Maulvi Azizul Haque, M.L.C. (pleader, Krishnagar, Nadia), representative of agricultural interest.
- (7) Rai Sasadhar Ghose Bahadur (pleader, landholder and Chairman, Mymensingh Central Co-operative Bank), representative of urban interest.
- (8) Babu Joges Chandra Chaudhuri (Deputy Collector), *Secretary*.

3. **Terms of reference.**—In paragraphs 6 and 7 of the said letter the scope and functions of the Central and Provincial Committees were analysed in some detail and the main matters for study by the Provincial Committees were defined to be—

with reference to the development and extension of banking on sound lines—

- (i) agricultural credit (including co-operative credit) and credit facilities for small industries;
- (ii) mortgage banks and
- (iii) financing of internal trade in connection with all the above headings.

It was explained that “essentially the purposes which it is desired to secure, so far as the interests of the rural population are concerned, are that the cultivator should be enabled to secure the credit he needs both for the improvement of his land and its equipment and for the marketing of his produce; and that, on the other hand, means should be devised to stimulate the habit of investment and attract banking deposits.” And it was suggested that “bearing these purposes in mind the provincial committees should conduct in a few selected areas an intensive survey of conditions, existing facilities and requirements, and a general survey of the province as a whole.” These points were elaborated in a memorandum, forming enclosure to the Hon’ble the Finance Secretary’s letter, which is reproduced as Appendix I to our present report. These may be regarded as our terms of reference.

4. **Procedure adopted and work done.**—We first met in Calcutta, which was the headquarters of our Committee, on the 3rd August 1929, and for the better part of the month of August devoted our attention to the consideration of the standard questionnaire drawn up by the Indian Central Banking Enquiry Committee for issue by the Provincial Committees and made additions thereto in order to elicit information regarding the special conditions prevailing in the Presidency. The questionnaire finally approved was printed in English with the additions shown in italics and was also translated into Bengali. Copies either in English or in vernacular were sent to all persons, both official and non-official, who were considered to be likely to give us useful information and a copy was sent to everyone who asked for it. Copies were also distributed in various local centres visited by the Committee. The questionnaire was published in the Calcutta Gazette and copies were supplied to the press for general information. A copy of it is printed as Appendix II to this report.

We also prepared separate questionnaires (vide Appendix III to this report) for the co-operative central banks, which number 120, and registered joint stock loan companies, which number 782, in this province. A copy of the respective questionnaire was sent to each of them. Special questions were also issued (vide Volume III) to

- (i) The Postmaster-General, regarding the feasibility of introducing certain measures for providing further banking facilities in the post offices,
- (ii) The Imperial Bank of India, Calcutta, with regard to its financing of tea industry,

- (iii) The Commissioner of Income-tax and the Registrar of Co-operative Societies regarding certain suggested concessions to co-operative societies in the matter of income-tax,
- (iv) The Jute Mills Association with regard to the indebtedness of the employees in the jute mills near Calcutta,
- (v) The firms selling agricultural implements and machines, regarding the adequacy or otherwise of facilities for financing the purchase of such implements, and
- (vi) All District Judges regarding the working of the Usurious Loans Act in this province.

In all we received 223 replies to the General Questionnaire, 57 replies from the Central Co-operative Banks and 84 replies from the Joint-Stock Loan Companies and 23 written notes and memoranda on different subjects connected with our enquiry. Most of them have been printed and will be found in Volumes II and III of our report.

Of those who replied to the questionnaire, 36 gave oral evidence before us, 19 being officials and 17 being non-officials. Besides, 54 persons were examined orally on specific questions although they had not submitted any written replies. A list of the witnesses examined has been given in Appendix IV.

5. The interval between sending up questionnaires to various persons and institutions and getting replies thereto was utilised by us in making intensive surveys of existing conditions and credit facilities in certain selected areas as enjoined upon us by our terms of reference. One hundred typical villages in the five administrative divisions of the province were selected for the purpose, viz:—

- (i) 30 villages in the district of Birbhum, Burdwan Division.
- (ii) 25 villages in the district of Bogra, Rajshahi Division.
- (iii) 15 villages in the sadar subdivision of the district of Nadia, Presidency Division.
- (iv) 20 villages in the Jamalpur subdivision of the district of Mymensingh, Dacca Division.
- (v) 10 villages in the Chandpur subdivision of the district of Tippera, Chittagong Division.

Eleven more villages were selected in areas having special features. The detailed economic survey in these villages was carried out by an honorary agency composed of both officials and non-officials of the locality. They volunteered to undertake the work at the request of the Chairman, who, along with some of the members, visited the different centres to initiate the work and explain the terms and scope of the enquiry to the local gentlemen. But for their assistance which they readily proffered it would have hardly been possible for us to do this portion of our work within the short time allotted to us and we are grateful for the assistance we received from them. A member was placed in supervising charge of each of the five centres.

6. **Itinerary.**—A complete itinerary of the Committee is given in Appendix V. Besides visiting the areas selected for intensive survey for the purpose of initiation of the work and subsequent supervision of its progress and certain district headquarters for the purpose of

taking evidence of witnesses, the members of the Committee also visited either in batches or individually certain other places to gather first hand information with regard to some special subjects, e.g., they visited Jalpaiguri to examine the question of financing the tea industry; Naogaon (in Rajshahi), to make a critical study of the various co-operative organisations in the *Ganja Mahal*, especially the pool for the hemp drug and the Land Mortgage Bank, the only institutions of the kind in the province; Bhagyakul, to examine the condition prevailing in the *Char* area; Jessore, to see the working of some old established Loan Offices; Gosava (in Sir Daniel Hamilton's zamindari in the Sunderbans), where a colony of cultivators has been established and all their needs and requirements as regards finance, supplies, disposal of crops, education and sanitation are being met on co-operative principles; and Dacca and Tangail subdivision in the Mymensingh district, for gathering information about indigenous bankers and their methods of work. Advantage was also taken of these tours to examine and record the evidence of local gentlemen intimately connected with, or particularly interested in, the special subjects under enquiry in those localities.

7. **Difficulties encountered.**—The main difficulty that this Committee laboured under was the absence of a regular staff of village officials, such as patwaris, who are entrusted with the duty of keeping the village records corrected up to date. This has been particularly felt in connexion with the intensive surveys of villages. The Settlement records were often old and out of date as in Bengal there is no establishment for their maintenance. It was, therefore, necessary to collect first hand information with regard to the raiyat's holdings, lands, assets, liabilities and indebtedness, family budgets, etc., and this very task, which a permanent staff of village officials in daily contact with the village life would have been the most suitable and satisfactory agency to perform, had to be entrusted to a mostly untrained and unofficial agency which was also unpaid, as the work had to be carried out with the utmost economy. Having regard to this disadvantage and to the time limit imposed on the Committee, which necessitated hurrying through the work of the intensive survey, it should not be a matter of surprise if the enquiry has suffered somewhat in precision and thoroughness.

8. Another difficulty which this Committee had to encounter was the paucity of information with regard to indigenous banks and bankers. In Bengal such bankers are mostly non-Bengalees, who have been chary of giving much assistance in this respect to the Committee. The Bengali indigenous bankers, such as there are, are generally men of small education who fight shy of Committees and Commissions and are not at all disposed to express their views on any question even when asked. Strictly speaking no written replies to the Committee's questionnaire were received from them, and some of us had ultimately to interview a few of them individually and reduce to writing the answers that could be elicited from them.

9. Some of the loan offices, affiliated to a recent organisation under the name of the Bengal Bankers' Federation, resolved not to render any assistance to our Committee on the ground that Government did not think it fit to take in a representative of theirs on the Committee and they did some propaganda to have the Committee boycotted. As the Bankers' Federation comprises only 55 to 60 loan offices out of a

total of 782 in the province, their action only precluded the presenting of their own case before us. A good many of the loan offices furnished information wanted from them, and even in respect of those which kept aloof, the Committee could obtain the required statistics from other sources except in the case of some very new ones.

10. One of the difficulties that has all along beset the Committee's labours was perhaps inevitable from its very nature. The subject under our enquiry is too technical to appeal to popular imagination. It requires serious thinking, careful study and practical experience. As such, it was hardly to be expected that the general public, or for the matter of that, even the educated portion of it, would show much enthusiasm in coming forward to assist us with carefully prepared replies and well thought-out suggestions with regard to our various problems. Again, while it is no doubt true that credit and finance concern everyone vitally, it is also equally true that human nature being what it is, no one—not even the neediest borrower—can welcome the idea of an outsider, however well-meaning he may be, trying to probe too deeply into his financial position, his family budget and his earnings. This has often made it difficult for us to obtain reliable information on several important points—particularly agricultural indebtedness.

CHAPTER II.

Economic Features of Bengal.

11. Physical features.—The Presidency of Bengal as at present constituted is roughly shaped as a triangle wedged in between the two provinces which have been carved out of it, Assam in the east and Bihar and Orissa in the west. Its vertex penetrates well into the Himalayas and lies at the foot of the mountain State of Sikkim, while its base is washed by the waters of the Bay of Bengal. It comprises the delta of the great rivers, the Ganges and the Brahmaputra, and the valleys of the affluents that emerge into the delta. The province is naturally divided into four distinct areas, with peculiar characteristics, which are thus described in the Imperial Gazetteer :

“WEST BENGAL, or the part west of the Bhagirathi, lies outside the true delta. The eastern portion of this tract is low and of alluvial formation; but farther west, laterite begins to predominate, and the surface rises and becomes more and more undulating and rocky, until at last it merges in the uplands of Chota Nagpur. CENTRAL BENGAL, or the part lying south of the Padma between the Bhagirathi on the west and the Madhumati on the east, was formerly the Ganges delta; but it has gradually been raised above flood-level, and the great rivers which formerly flowed through it, depositing their fertilising silt, yielding an ample supply of wholesome drinking water and draining it, have shrunk to insignificance. Their mouths have silted up and their banks are often higher than the surrounding country, which they are no longer able to drain. EAST BENGAL, or the country east of the present course of the Brahmaputra and the Madhumati, includes the present delta of the Ganges and Brahmaputra, where the process of land-formation is still going on; but in the south-east the hill range that divides Assam from Burma projects into it, while on the confines of Dacca and Mymensingh, the Madhupur Jungle, a tract of quasi-laterite, rises above the recent alluvium. NORTH BENGAL lies north of the Padma and is wholly alluvial, with the exception of the greater part of the district of Darjeeling and an elevated tract known as the Barind similar to the Madhupur Jungle, which occupies a considerable area on the confines of Dinajpur, Malda, Rajshahi and Bogra. In spite of its proximity to the hills, the general level of the alluvial country is very low, especially in Rangpur, and the central part of Rajshahi; and it suffers from obstructed drainage, due to the silting up of the rivers and the gradual raising of their beds.”

12. Population.—With the exception of the mountains in the northern district of Darjeeling and the hills in the south-eastern districts of Chittagong and Chittagong Hill Tracts, the province consists of a wide flat alluvial plain raised only a few feet above the mean sea level and intersected by innumerable waterways. There are no forests except in the hills mentioned above and in the swamps bordering the head of the Bay. The plains grow every kind of tree, vegetable and crop that is to be found in the tropical and the lower parts of the temperate regions. This wealth of the vegetable kingdom supports a vast multitude of population. The Imperial Gazetteer of 1908

described the Presidency as the largest and most populous province in the Indian Empire. The subsequent reduction of area has made it the smallest of all the provinces except Assam, though still the most populous. Its 76,834 square miles contain a population of 46,695,538, of whom 43,509,235 reside in the rural areas. The density of population is 606 per square mile and in rural areas 582, being greater than the density of any other province in India. The density is greatest in the fertile tracts of eastern and northern Bengal, 1,148 in Dacca, 1,072 in Tippera and 828 in Pabna; while in the central and western Bengal it greatly diminishes being as low as 389 in Bankura.

13. Villages and houses.—Bengal is primarily an agricultural country and the bulk of its population numbering 36,204,994 depend on agriculture for their livelihood. Of these, 9,020,472 have been classified as ordinary cultivators and 20,825,393 as their dependants. They all live in the rural areas. In Bengal there are hardly any village sites with congregation of houses as in upper India. Except in some parts in western Bengal, the homesteads of the villagers are scattered in the midst of their orchards and farms or huddled together in long strips of land higher than the surrounding country or on small mounds raised in the midst of swamps. There are few masonry structures in these villages and they are occupied by the middle class people, hardly ever by an agriculturist. The peasants live in *cutcha* houses erected on mud plinths. In parts of western, central and northern Bengal, where the soil is comparatively stiff, the walls are made of earth; but in other parts, of bamboo mattings, reeds and similar light materials. They are roofed with thatches of grass or rice-straw and, in more prosperous houses, corrugated iron sheets. The furniture that the peasant possesses in his house is very scanty and usually consists of one or two platform beds constructed of timber or bamboo, a wooden chest and a stool or two. The utensils are generally made of earthenware and, in richer families, brass, china or enamelled iron.

14. General conditions of agriculture.—The soil is fertile and in many tracts bears two and in some three crops in a year, often without any manure. In some of the districts of central and western Bengal there are many fields which are periodically left fallow to recuperate. The red laterite soil is not so fertile as the white alluvial loam, though it bears a good rice crop every year. There is some irrigation in parts of western and central Bengal both from tanks or natural streams and also from irrigation canals constructed by Government. The total irrigated area is 1,413,700 acres, of which 101,318 acres only are irrigated by canals constructed by Government. Many areas in central, eastern and northern Bengal are annually inundated by the flood of the rivers and their fertility renewed by the deposit of silt. Ordinarily no manure is used, but droppings of cattle and the silt from the bottom of ponds and stagnant pools are sometimes employed when available. There is, however, a general practice of using leguminous crops in alternation with paddy, generally in the same year, when the soil is enriched by the nitrogen-bearing nodules in the roots.

The fertility of the agricultural land is deteriorating steadily on account of the absence of manure. The yield of the different crops

has become less and less during the last five quinquenniums as will be seen from the following table:—

Quinquennium ending	Average yield in lbs. per acre.			
	Winter rice.	Wheat.	Gram.	Rape and mustard.
1906-07	1,234	801	881	492
1911-12	983	861	881	492
1916-17	1,036	698	867	480
1921-22	1,029	688	826	485
1926-27	1,022	721	811	483

There was widespread failure of the winter rice crop in the quinquennium ending in 1911-12.

15. **Rainfall.**—Agriculture in Bengal is mainly dependent on rainfall. There has seldom been any complete failure of crop on account of drought. Rainfall, which varies from 35 to 50 inches in the year in western and central Bengal and 70 to 120 inches in the east and north, is generally sufficient for all the needs of agriculture; but in some years the rainfall is irregularly distributed, and crops partially fail for want of water in proper time or from floods due to unseasonable downpours.

16. **Principal crops.**—The agricultural produces include cereals such as rice, wheat, barley, millet, maize and pulses; fibre crops like jute and hemp; oil-seeds as rape, mustard, linseed and sesamum; potatoes and other vegetables; cane and date sugar; tea and tobacco. The principal crops are rice and jute. Out of 32 million tons of rice grown in British India in 1928-29, Bengal produced more than 30 per cent. (9,684,000 tons), while in the same year out of 97 lakhs of bales of jute, Bengal was responsible for more than 86 lakhs. Bengal may thus be said to hold practically the world's monopoly of jute. The tea crop of Bengal was 96 million lbs. out of 403 millions produced in the whole of British India. This province grows more tobacco than any other in India except Madras and Bombay, the outturn being 122,000 tons out of a total of 599,000 tons grown in the whole of British India. The principal food crop grown by the people is rice, and only what is left over after meeting the needs of the people is offered for export. Much of the finer varieties grown is, however, shipped abroad and replaced by coarser qualities imported from Burma. Jute is the principal crop on which the Bengal agriculturist depends for his income, and the fluctuation in its price very materially affects his financial status. Pulses, vegetables, oil-seeds, sugarcane and tobacco are also grown principally for sale and their prices, though not so widely fluctuating as that of jute, react on the financial condition of the growers.

17. **System of land tenures.**—Land Revenue is permanently assessed for the greater part of the province. There are a few temporarily settled

estates of which the revenue is liable to be reassessed periodically and there are some Government estates which are settled directly with the agriculturists. There are hardly any peasant proprietors, and in the Government estates only does the peasant hold his land directly under the State. The proportion of actual cultivators holding land directly under the proprietor of an estate is also small, for there are innumerable intermediate tenures between the proprietor and the cultivator in almost every estate. These tenure-holders are generally of the middle class, though a small proportion consists of agriculturists also. In one estate in Bakarganj there are as many as thirty such intermediate tenures one under another. It is a common custom that when the owner of a tenure or holding is unable personally to cultivate the whole or any part of it, he gets it cultivated by an agriculturist called *bargadar*, *bhagidar* or *adhiar* and shares the produce equally with him. In western Bengal, specially in Midnapur, rent, called *sanja*, is often paid in a fixed quantity of paddy, irrespective of the amount produced in any particular year.

18. Rent.—Rent, in Bengal, is not competitive but customary and follows the prevailing rate of the locality irrespective of the demand for land. The rate varies for ordinary rice-bearing land from Re. 1 to Rs. 10 per acre in different parts of the province. It is comparatively lower for the same class of land in eastern and northern Bengal than in western and central, although the former is more productive. The gross rental of Bengal on the 31st March 1928 was Rs. 15,19,27,364 and the gross area of agricultural holdings as found in the following paragraph being 31,502,508 acres, the average incidence of rent per acre is Rs. 4. 13 as.

19. Agricultural holdings.—The holdings are almost all of very small size. The table below gives the average area of holdings in those districts and tracts in the province where a record-of-rights has been prepared by Settlement Officers:—

	Acres.	
Midnapur	.. 1·29	When rent is paid in cash.
	1·16	When produce rent is paid.
Bankura	.. 1·69	When rent is paid in cash.
	1·63	Ditto.
Khulna	.. 2·44	Of a tenure.
	2·82	Of a raiyati holding.
Jessore	.. 1·78	Ditto.
Dacca	.. 1·52	Ditto.
Mymensingh	.. 2·79	When rent is paid in cash.
	·86	When produce rent is paid.
Faridpur	.. 1·39	Of a raiyati holding.
Bakarganj	.. 2	Of a tenure.
	2·51	Of a raiyati holding.
	2·54	When rent is paid in cash.
	1·48	When produce rent is paid.
Chittagong	.. ·98	Of a tenure.
	·61	Of a raiyati holding.
	1·26	For occupancy raiyati holdings.

	Acres.	
Tippera	.. 2.03	When cash rent is paid.
	.86	When produce rent is paid.
Noakhali	.. 2.46	When rent is paid in cash.
	.99	When produce rent is paid.
Rajshahi	.. 2.26	When rent is paid in cash.
	.98	When produce rent is paid.
Pabna	.. 1.09	
Bogra	.. 2.05	
Burdwan	.. 1.44	
Murshidabad	.. 1.27	
Birbhum	.. 1.43	
24-Parganas	.. 1.80	

The Settlement Officers arrived at these figures by dividing the total area in possession of raiyats of the district by the number of khatians. But for the same holding there is often more than one khatian. This has been recognised by Mr. Mumin in his Settlement Report of Jessore and he has in consequence increased the figure 1.78 acres arrived at by the above method to 2 acres. This method of calculation is therefore obviously erroneous. The average area per agricultural worker for the whole province was estimated at 2.215 acres in Mr. Thompson's Census Report of 1921. The Census Superintendent obtained his estimate by dividing the acreage under cultivation by the number of workers in agriculture, comprising ordinary cultivators, farm servants, field labourers and growers of special products. His estimate was not that of an agricultural tenant's holding but the average area which a single agricultural worker or labourer has to cultivate. An agricultural holding consists not only of the area cropped, but also of the current fallow and a good deal of the culturable waste other than fallow. We have for the purposes of our estimate assumed that a moiety of the culturable waste other than fallow is still in the khas possession of the landlord, and the remainder let out to holders of agricultural tenancies who have not yet been able to bring it under cultivation. We have also excluded the area under tea as it is not included in the holding of an agriculturist. On this basis the total area of the agricultural holdings will be as follows:—

	Acres.
Net area actually sown in 1928-29	.. 23,826,700
Current fallow .. ..	.. 4,708,189
Half of the culturable waste other than the fallow .. ..	.. 2,967,619
	<hr/>
Total	.. 31,502,508
<i>Deduct area under tea</i>	.. 193,600
	<hr/>
Net total area of holdings	.. 31,308,908
	<hr/>

There is no direct method by which we can ascertain the number of holdings. We have assumed that each agriculturist family owns a holding. Some may own more than one holding and others may be the owners of parts of a holding only, but we do not think we shall be very far out if for calculating the number of holdings we take it to be equal to the number of agriculturist families. Now, a family consists of persons living in one house. In rural areas 43,509,236 persons reside in 8,461,335 houses, or 5.15 persons in one house. The people living in a house in an agricultural holding are the ordinary cultivators, market gardeners, and the farm servants (actual workers together with their dependants) as also the persons shown in the census report as partially agriculturists and their dependants. These partial agriculturists are cultivators of their own land, and must therefore be owners of holdings. The total number of persons living in houses on agricultural holdings is thus calculated below:—

Ordinary cultivators and their dependants ..	29,845,865
Market gardeners and their dependants ..	94,032
Farm servants and their dependants ..	18,926
Partial agriculturists, actual workers ..	290,918
Their dependants taking 1.85 dependants to one actual worker (the proportion for the whole population)	538,198
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Total number of persons living in houses in agricultural holdings	30,787,939
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If this figure is divided by 5.15, the average number of persons living in a house in rural areas, we get 5,978,240 houses, or say 6,000,000 in round figures, and we take this as the number of agricultural holdings. Dividing the total area of agricultural holdings by this figure, we get 5.21 acres as the average area of a holding. We estimate that this is the correct area of an agricultural holding in Bengal.

20. **Plots.**—The agriculturist's holding is divided into a number of fields or plots. There are no hedges surrounding these plots but only low mud embankments six to eighteen inches high called *ails* which also serve as passages through the fields. The plots belonging to any one holding are not necessarily contiguous but are often separated from each other, sometimes by considerable distance. This has been caused by repeated partitions in consequence of the prevailing laws of inheritance and by frequent changes of ownership by sale. The average area of a plot is also small, being about a quarter of an acre. They have to be small in order to be able to conserve the rain water for the cultivation of paddy. The small areas and the fragmentary nature of the plots in the holdings have very adversely affected the credit of the agricultural owners. Such small and isolated plots are of little use to any but a local resident, and hence a cultivator hardly ever gets a loan from anybody unless living in the neighbourhood.

21. **Nature of the raiyats' interest in the holding.**—There are ordinarily three kinds of interest which an actual cultivator of the soil possesses in the land which he tills. There are many holdings held at a fixed rent or rate of rent which are freely heritable and transferable and these are valued high. The rent is also low as the tenant has usually to pay a premium before a settlement at a fixed rate is made. The bulk of the ordinary cultivators hold their land as "settled" raiyats whose holdings (called occupancy holdings) are also heritable and transferable. These two classes of tenants cannot be evicted except by a process of law and only in consequence of default in payment of rent, but while in the former case the rent cannot be enhanced, in the latter it is liable to be enhanced by contract after periods of not less than fifteen years and at a rate not exceeding 12½ per cent. The rent of occupancy holdings can however be enhanced by suit to a larger extent for certain specified reasons. The third class consists of the under-raiyats who hold under either of the two previously mentioned classes of raiyats for a fixed period or at the will of the landlord. Such rights are not ordinarily saleable, but when permitted to be sold, fetch much less than the holding of a settled raiyat.

22. **Value of land in agricultural holdings.**—The value of raiyati land depends primarily on the nature of interest of the tenant as described above and on its productiveness and situation. The nature of the soil, the prevailing rainfall or available means of irrigation and the variety of crop usually grown on the land determine its productiveness. The element of situation is governed by factors such as accessibility to the market, the volume of labour available and the rate of wages prevalent in the locality. For these reasons lands of a similar nature are valued at widely different rates in different parts of the province. In the sterile tracts of central and western Bengal land sells at so low rate as Rs. 15 an acre while in the prolific tracts of eastern and northern Bengal the price soars up to Rs. 1,500 and even to Rs. 2,000 per acre. The average prices of ordinary land bearing winter rice have been found at our intensive enquiry to be Rs. 328 in Birbhum, Rs. 98 in Nadia, Rs. 369 in Bogra, Rs. 314 in Mymensingh and Rs. 1,008 in Chandpur. We estimate the average value of an acre of agricultural land in the province to be Rs. 300.

23. **Cost of crop production.**—An attempt was made during the intensive enquiry to estimate the cost of production of the different crops usually sown in Bengal in the 111 villages under enquiry, but the result obtained was disappointing. The cultivators never keep accounts and they are apt to exaggerate the cost largely in order to show reduced profits of cultivation; and in some cases, the costs have been shown as much greater than the harvest value of the produce. Such figures are impossible to credit, for in these circumstances no cultivator would have wasted labour in growing the crop. Within the short time at our disposal we could not arrange to have these figures tested and corrected. We have, however, obtained from the Director of Agriculture figures based on the actual cost incurred in cultivation of these crops in the Government demonstration farms situated in different parts of the province. These data are reproduced in Appendix A to this chapter (page 33).

24. **Profits of cultivation.**—The following table shows the average profits of cultivation per acre of the six principal crops grown in

Bengal. The cost of cultivation is taken from the figures supplied by the Director of Agriculture and the yield from the standard or normal yields as shown in Table 3 of the Estimates of Area and Yield of Principal Crops in India, 1928-29. The average yield of tobacco has been taken from the Quinquennial Report on the Crop Cutting Experiments in Bengal from 1922-23 to 1926-27 as no later figures could be obtained. The harvest prices for 1928-29 are not yet published, but we have obtained the figures given below from the office of the Director of Statistics:—

Name of crop.	Average cost of crop production.	Normal yield per acre in		Harvest price per maund in 1928-29.	Value of produce per acre.	Profit.
		lbs.	Mds.			
	Rs.			Rs. A.	Rs. A.	Rs.
Rice (cleaned) ..	47	1,022	12.4	6 10	82 2	37
Other food crops (wheat) ..	33	721	9	6 0	54 0	21
Jute ..	92	1,331	16.2	9 0	145 12	54
Oil seeds (rape and mustard) ..	33	483	5.8	8 12	50 12	18
Cane sugar (gur)	276	3,054	37.2	8 9	318 8	42
Tobacco ..	168	1,007	12.2	20 0	244 0	76

The average cost of crop production is based on the assumption that the cultivator has hired and paid for all the labour, human and cattle, employed in the production of the crop. It should also be borne in mind that the ordinary peasant does not expend as much labour and manure on his field as is done in the demonstration farms. The profits shown are therefore those which a gentleman farmer, who hires all labour, human and cattle, and uses methods employed in Government farms, can expect to make in an average year.

25. Value of crops produced.—In 1928-29, the cropped area of the province was 23,826,700 acres of which 4,876,000 acres were cropped twice. The following table shows the value of the crops produced. The acreage under different crops and their yield are taken from the Estimates of Area and Yield of the Principal Crops in India in 1928-29

and the harvest prices from the information collected from the office of the Director of Statistics:—

Crop.	Area cropped in acres.	Total yield in maunds.	Harvest price per maund.	Price of produce.
			Rs. A.	Rs.
Rice	21,403,000	271,152,000	6 10	179,63,82,000
Wheat	123,000	896,000	6 0	53,76,000
Barley	82,000	728,000	9 9	25,93,500
Jowar	4,000	28,000	3 0	84,000
Bajra	2,000	28,000	3 0	84,000
Maize	94,000	868,000	3 0	26,04,000
Gram	143,000	1,176,000	5 8	64,68,000
Sugarcane ..	196,000	6,088,000	8 9	5,17,86,000
Cotton	79,000	90,000	33 0	29,70,000
Jute	2,917,000	43,300,000	9 0	38,97,00,000
Linseed	132,000	532,000	8 0	42,56,000
Rape and mustard seed	700,000	3,444,000	8 12	3,01,35,000
Sesamum	153,000	644,000	9 0	57,96,000
Tobacco	291,000	3,416,000	20 0	6,83,20,000
Other crops ..	2,383,700	at say Rs. 30 per acre.		7,15,11,000
Total	28,702,700	..	..	243,80,65,500

26. **Subsidiary occupations of agriculturists.**—Almost all agriculturists have other sources of income besides the produce of their fields. Some cultivators derive additional income by the sale of cocoanuts, betelnuts, and other fruits, from sale of surplus cattle bred in the farms, and from assisting other cultivators during harvest. During the rice harvest large bodies of cultivators and field labourers flow into the great rice districts of Bakarganj and Chittagong and into Burma. Sericulture and cultivation of lac are the principal subsidiary occupations in Malda, Rajshahi, Birbhum and Murshidabad. Poultry farming and sale of eggs and fowls are common in all farms owned by Muhammadans in every district, but are carried on on a large scale in Noakhali and Chittagong. The milk and vegetables produced in an agricultural farm are ordinarily consumed at home, but the surplus is often sold if there is a convenient bazar in the neighbourhood. Among domestic animals goats are commonly reared and sheep to a smaller extent for the market. Some of the lowest castes also breed pigs for the same purpose. Fishing is indulged in as pastime and to fill the larder, but sometimes a cultivator who owns a tank where fish can be reared, sells its finny contents periodically to professional fishermen. In the low-lying tracts of eastern and northern Bengal where every cultivator owns his own boat, he often works as a boatman for hire in the slack season. In the same way bullock carts are sometimes hired out by cultivators.

27. **Standard of living.**—The standard of living of the Bengal peasants has been steadily on the rise. Within the last two generations a remarkable advance has been made. They now wear more numerous and more expensive articles of attire than their grandparents did half a century ago. Attention is now directed to sanitation, education of children and medical treatment, on which more money is being spent every year. Luxuries have increased to a large extent by their introduction into villages by the improved means of communication. Cigarettes have to a large extent replaced the cheap indigenous tobacco which used to be smoked before. It cannot be said however that the peasants now eat much better, for the same improvements in the means of transport have caused the good things produced in the villages to be forwarded to the more prosperous localities such as cities for sale. An attempt was made to ascertain the annual income and expenses of the villagers during the intensive enquiry, but the results have not been wholly satisfactory. No general conclusion applicable to the whole province can be drawn from these isolated instances. We can, however, obtain a reliable estimate of the income of an agricultural family that is derived from agriculture alone, by dividing the total value of the crops produced (Rs. 2,438 millions) by the number of such families (6 millions). This gives Rs. 406 per family or Rs. 79 per head of population. To this we have added Rs. 44 as the average annual income of a family from subsidiary occupations. Our estimate of the income of an agricultural family thus comes to Rs. 450 a year. In Chapter V we have estimated the expenditure of such a family to be Rs. 420 a year. This gives a small margin or surplus of Rs. 30 per family or Rs. 6 per head. Thus, in the estimation of the Committee there is very little room for improvement in the standard of living unless means are devised to improve the productiveness of the soil and to bring to the producer a greater share of the value of the crops than the harvest price that he now commands.

28. **Tea.**—One of the most valuable crops in Bengal is tea, but it has not been taken into consideration in the discussions of the crops in the preceding paragraphs, as the ordinary cultivator is not employed in producing it. In 1928, there were 388 tea gardens in Bengal, including the State of Tripura, containing 201,096 acres under tea. The quantity of tea manufactured was 96 millions lbs. valued at over 6 crores of rupees. Most of the gardens are owned by joint stock companies, and only a few by individual proprietors. In every garden the labour is almost entirely recruited from outside Bengal, and the few local recruits are either non-Bengali labourers who had settled in the locality or their children. At one time the gardens were the property of Europeans only, but in recent years Bengali enterprise has made a considerable headway and a good many gardens in Darjeeling, Terai, Duars as well as Chittagong are now in their hands.

29. **Urban areas.**—*Calcutta.*—The last Census Report has included 135 localities among the urban areas, but most of these are in reality urban only in name. There is only one great city in Bengal, namely the Presidency town, Calcutta, which for more than 150 years has been the capital of the Indian Empire, and even now is the second city in the British Empire. With its adjoining suburbs, some of which are administered as independent municipalities, it forms a densely packed continuous city on both banks of the river Hooghly from Garden Reach and Sibpur on the south to Kanchrapara and Baudel on the north.

The population of the Calcutta Municipality, including those of the adjoining municipalities of Tollygunge and Howrah was 1,327,547 in 1921. It is the centre of all trade and commerce of the province, and the head offices of all the important banks and business houses are situated here. It is the headquarters terminus of three of the greatest of Indian railway systems, the East Indian, the Bengal Nagpur and the Eastern Bengal. Its port situated on the river Hooghly, 80 miles from the sea, is one of the greatest river ports of the world, and deals with an enormous volume of shipping. Being the gate of eastern India, all the maritime trade of the adjoining inland provinces as well as of Bengal passes through it. The total value of the imports and exports in 1927-28 exceeded 222 crores of rupees, and including coasting trade, 254 crores. Being the seat of the Government of Bengal as well as the centre of trade and commerce, arts and manufactures, culture and education, it attracts a large volume of population, not only from the interior of the province, but from all other provinces in the Empire; and this has given the city a cosmopolitan character. The jute mills, which attract a very large number of operatives are situated in or in the immediate proximity to the city. In this greater Calcutta are to be found most of other big industries of the province. Every kind of small industry is well represented in the city proper. The foreign trade is almost entirely in the hands of European houses, though a few of the great Indian firms take a small part in it. The greater part of the inland trade is in the hands of non-Bengalis, chiefly Marwaris. Thus, besides the Bengal Chamber of Commerce with European constituents, there are the Bengal National Chamber of Commerce, composed chiefly of Bengalis; the Marwari Chamber of Commerce with only Marwari members; and the Indian Chamber of Commerce whose members are principally men from outside Bengal. Muhammadans take only a very insignificant part in commerce, being represented by a few men from the western Presidency. The entire retail trade used to be in the hands of the Bengalis, Hindus as well as Muhammadans at one time, but the Marwaris and other people from outside have now ousted them to some extent. Indigenous banking, in the sense used in this report, that is to say, consisting of taking deposits and dealing in hundis, is almost entirely in the hands of the non-Bengalis, chiefly Marwaris. The money-lenders are principally Bengalis, but there are also a good many Marwaris and Pathans (Kabulis) among them.

30. *Chittagong*.—There is a second port in the province at Chittagong, which is now a major port. It is also a river port though only ten miles from the sea. Its activities are limited to the import of salt and some other commodities from Europe and the export of jute from eastern Bengal, cotton from the eastern hills and tea from Assam. There is a considerable amount of distributive trade chiefly owned by European houses combined in a local Chamber of Commerce. There is also a great deal of activity in inland trade. The Imperial Bank and the National Bank of India have branches in Chittagong, and there are some indigenous bankers, chiefly non-Bengalis. There are four cotton ginning mills, three of which are worked by Bengalis. It is the headquarters terminus of the Assam Bengal Railway. Its population in 1921 was 36,030.

31. *Dacca*.—The only other town which is of any commercial importance at all is Dacca. It was an old capital of Bengal in the days of the Moghul Empire and was the capital of the short-lived province of

Eastern Bengal and Assam from 1905 to 1912. On account of its salubrious climate, and being the seat of a well-equipped residential University, it has attracted many residents from the upper middle classes as well as the commercial classes. Its population was 119,450 in 1921. It is situated in the centre of the rich jute growing areas of eastern Bengal. Its river port, Narayanganj, is the principal centre of the jute trade. There is a considerable volume of inland trade, financed by the branches of the Imperial Bank at Dacca and Narayanganj and indigenous bankers, who are all Bengalis. The Marwaris and other non-Bengalis have not been able to capture any of the banking business in this city. Many of the great money-lending houses among the Bengalis are residents of this city or its neighbourhood. There is a Chamber of Commerce, composed chiefly of the European jute merchants at Narayanganj. There used to be a considerable volume of export of hides, but this business has much declined in recent years. A tannery which was established in the days of the swadeshi boom is reported to have ceased operation. The manufacture of the once world-famous Dacca muslin is almost extinct, but there is a considerable production of hand-woven fine *dhuties* and *saris*. A cotton mill on modern lines has recently been established. There are many other important small industries, among which that of the making of conch-shell bangles may be mentioned. The manufacture of a fine variety of indigenous washing soap is carried on in many houses as well as small factories. A soap factory on modern lines started during the swadeshi days was however not successful.

32. **Economic aspects of the caste system.**—The majority of the population in Bengal, 25 millions out of 47 millions, are Muhammadans who are not fettered by rules of caste. Among the Hindus, the caste system is not so rigorous as in some other parts of India. With the spread of education among all castes there now is very little restriction in the way of any individual adopting any trade or profession. The higher castes among the Bengalis do not suffer any social ostracism for doing menial work. The *bhadralok* or educated middle classes are still averse to manual labour and working in the fields; this is not on account of any caste prohibition, but for want of appreciation of the dignity of labour. Commerce, trade and banking are now distributed among all the castes. Many of the artisan castes are still wedded to their ancestral craft; but some of the younger generation on receiving general education are gradually abandoning it in favour of more genteel and less laborious occupations. The same process is also working among the agriculturists, both Hindus and Muhammadans, many of whose sons, on leaving school, are seeking clerical and professional occupations. This is much to be deprecated, for the improvements in arts and crafts, as well as agriculture, and the introduction of modern methods must, to a large extent, depend on the exertions of educated men of these classes. Perhaps they themselves are not so much to blame as the system of education imparted in our schools. There are few technical or industrial schools, and the general education given in our primary schools does not include the principles of agriculture or craftsmanship. We were much impressed by the system prevailing in Sir Daniel Hamilton's estate in the Sunderbans, where every primary school teacher, himself a trained agriculturist and weaver, is given every facility and encouragement to teach these arts to his pupils.

33. **Economic effects of social and religious customs.**—Marriage is almost universal, that is to say, almost every grown-up man or woman in every station of life is or has been married. Many of these marriages take place, during adolescence, and the result is the appearance of children early in the life of the father, not infrequently before he is able to earn enough to maintain himself and his family. The consequence is financial embarrassment which often pursues him throughout his life. The custom of dividing the property of a deceased owner, between his sons, among Hindus, and between all his wives and children and some other relatives among Muhammadans, serves not only to distribute the wealth, but also to reduce the size of the holdings, making credit difficult. The expenses of social ceremonies, such as weddings and funerals, among the middle classes are disproportionately high and are the cause of many and heavy debts. In spite of earnest endeavours by social reformers, this extravagance on social ceremonies is not decreasing. This evil though it exists among agriculturists is not so prominent. Religious ceremonies, however, do not ordinarily cost a man more than he can afford.

34. **Sanctity of debt.**—In Bengal, as in most other parts of India, there exists a very strong feeling among all castes, creeds and classes, of the sanctity of debt. A borrower, whether Hindu or Muhammadan, has an inherent repugnance towards repudiation of a debt incurred by him. This feeling may have had its origin in the religious precepts of the respective creeds, or in the social customs prevailing among the people, but it undoubtedly exists, and to its existence must be attributed the fact that so many of the debts are verbal or recorded in a very informal manner and seldom attested by witnesses. In Chapter XIII of the report we have described how the depositor has no hesitation in entrusting his hard earned savings to the indigenous banker without obtaining any receipt at all, and also how the indigenous banker unhesitatingly issues loans on informal instruments of credit such as *purjas*, *hatchitas* or *khatapetas*. The rapid and unimpeded growth of co-operative societies among such an illiterate population is undoubtedly due to the prevalence of this sentiment. A borrower seldom tries to evade repayment of the debt, and will always pay if he can. For this reason, the village money-lender has so seldom to sue his client. There is also a very strong sentiment among all Bengalees, that a debt incurred in this world, continues to weigh on him in the next; and it is universally considered a sacred duty of a pious son to redeem his father's debt, whether he inherits any property of his father or not, and even when the debt is irrecoverable by the law of limitation or otherwise. A notable example of this was the late Mr. C. R. Das, the founder of the Swarajist Party in modern politics. He inherited little beyond the debts of his father and being unable to repay them in the early years of his practice he had to take recourse to insolvency. After his discharge, when he had earned a sufficient amount he called all his father's creditors and repaid them in full with interest up to the date of payment. Such instances are not very rare in this country. The experience of all civil court Judges is that in suits for the recovery of debts, the debts are seldom denied. There are no doubt instances to the contrary, but we are of opinion that they are rare. The prevalence of this sentiment is a very important factor in the banking system of the country.

APPENDIX A.

**A note on the cost of production of different crops in Bengal, by the
Director of Agriculture, Bengal.**

The amount of labour required for the production of various crops is given in "men-days" and "bullock-days" in five divisions of the Presidency. The wages of labour in each tract are also appended, together with an estimate of the daily value of the labour of a pair of bullocks. Thus, it is possible to estimate the cost of cultivation of staple crops in each division by hired labour at recognised local rates. Of course it is known that the great proportion of labour for ordinary crops is provided by the cultivator and that only a small proportion of labour is hired. Nevertheless, the figures put up offer a basis for comparison between different parts of the Presidency.

Jute.—*Cost of production per acre.*—The labour required to produce an acre of jute may be as follows, assuming an average season and good average ability on the part of the cultivator:—

		Men-days.	Bullock-days.
Preparation of land	..	14	27
Weeding	.. ..	25	..
Harvesting	.. ..	20	..
Extracting, etc.	.. ..	23	2
Total	..	82	29

In the jute-growing tracts of the Presidency and Burdwan, Rajshahi, and Dacca and Chittagong divisions, the average wages are annas 11, annas 11 and annas 12, respectively, and the value of a pair of bullocks per day may be assumed at annas 12 or annas 6 per animal. On these assumptions the cost of jute production in the respective Divisions would be:—

		Presidency, Burdwan and Rajshahi Divisions.	Dacca and Chittagong Divisions.
		Rs. A.	Rs. A.
Cost of human labour	..	49 8	54 0
Bullock power	.. ..	21 12	21 12
Seed	.. ..	3 0	3 0
Manure	.. ..	10 0	10 0
Rent	.. ..	6 0	6 0
Total	..	90 4	94 12

For forecast purposes, the normal yield of jute is taken to be 3·2 bales in Presidency and Burdwan Divisions, 3·5 bales in Rajshahi Division, and 3·7 bales in Dacca and Chittagong Divisions, or assuming a yield of 16 maunds of jute per acre the cost per maund would be just under Rs. 6.

Aus Paddy.

			Men-days.	Bullock days.
Preparation of land	..		14	27
Weeding	..	..	16	2
Reaping	..	..	8	..
Carting	..	..	1	2
Total			39	31
			—	—

Assuming wages of labour and cost of bullocks as for jute we get:—

			Presidency, Burdwan and Rajshahi Divisions.	Dacca and Chittagong Divisions.
			Rs. A.	Rs. A.
Human labour	..	..	26 13	29 6
Bullock power	..	..	11 10	11 10
Threshing at 4 annas per maund			4 0	4 0
See	..	..	2 0	2 0
Rent	..	..	3 0	3 0
Total			47 7	50 0

Average yield about 16 maunds per acre, but yields under good conditions may be anything up to 30 maunds or more per acre.

Transplanted Aman.

			Per acre.	
			Men-days.	Bullock-days.
Preparation of land	..	..	14	28
Transplanting	..	..	8	..
Weeding	..	..	2	..
Reaping, etc.	..	..	9	2
			—	—
Total	..	..	33	30
			—	—

Assuming wages of labour and cost as already given.

			Presidency, Burdwan and Rajshahi Divisions.	Dacca and Chittagong Divisions.
			Rs. A.	Rs. A.
Human labour	..	..	22 11	24 12
Bullock power	..	..	11 4	11 4
Half rent	..	..	2 8	2 8
Threshing at annas 4	..	..	4 0	4 0
Manure	..	..	5 0	5 0
			—	—
Total	..	..	45 7	47 8
			—	—

Average yield about 16 maunds per acre.

Potatoes, Sugarcane and Tobacco (per bigha).

	Potatoes.		Sugarcane.		Tobacco.	
	Men Units.	Bullock Units.	Men Units.	Bullock Units.	Men Units.	Bullock Units.
Preparation of land	6	12	6	12	6	12
Trenching and planting ..	..	..	4	..	..	..
Harrowing and planting ..	3	..	..	..	..	..
Transplanting ..	..	..	..	..	10	..
Steading and watering ..	..	..	..	..	3	..
Hoeing and weeding	..	..	7	..	..	..
Hoeing, weeding and topping ..	..	..	..	..	3	..
Earthing and clean- ing ..	3	..	..	..	..	..
Threshing ..	..	..	3	..	..	..
Irrigation ..	2	..	..	..	3	..
Harvesting ..	2	..	3	..	..	..
Harvesting and dry- ing ..	..	..	..	..	5	..
Crushing ..	..	..	8	8	..	..
Boiling ..	..	..	8	..	..	..
Total ..	16	12	39	20	30	12

	Rs. A.	Rs. A.	Rs. A.
Labour at annas 11	11 0	26 13	20 10
Bullock at annas 6 ..	4 8	7 8	4 8
	15 8	34 5	25 2
Cost of seed, cutting and seeding ..	50 0	20 0	4 0
Rent ..	2 0	3 0	2 0
Cost of manure ..	22 8	35 0	25 0
Total ..	90 0	92 5	56 2
	Maunds.	Maunds.	Maunds.
Average yield from quinquennial report per bigha	50*	12·33†	4·1

* Not included in Quinquennial report ; departmental estimate given.
This is the forecast average for the Province.

With such manuring and treatment the yield would probably be 20 maunds *gur* per *bigha* and very possibly more.

N.B.—For sugarcane, potatoes and tobacco the costings *per bigha* are given. For other crops the figures are *per acre*.

Rabi crops like wheat, barley, linseed or pulses.

Per acre.

		Men- days.	Bullock- days.
Preparation of land	..	12	24
Sowing and reaping	..	8	..
Carting	.. ..	1	2
Total	..	21	26

With wages of labour and cost of bullocks as before we get:—

			Presidency, Burdwan and Rajshahi Divisions.	Dacca and Chittagong Divisions.
			Rs. A.	Rs. A.
Human labour	.. ..	14 7	15 12	
Bullock power	.. ..	9 12	9 12	
Threshing	.. ..	4 0	4 0	
Seed	.. ..	2 0	2 0	
Rent	.. ..	2 0	2 0	
Total	..	32 3	33 8	

The average yields for the crops in question are:—

			Maunds per acre.
Wheat	.. ..	8½	
Barley	.. ..	10½	
Linseed	.. ..	5½	
Mustard	.. ..	6	
Gram	.. ..	9½	
Lentils (Masur)	.. ..	10½	

CHAPTER III.

General Description of Existing Credit Agencies.

Imperial Bank of India.

35. **History.**—At the apex of the credit organisation of the Presidency, stands the Imperial Bank of India, which grew out of the amalgamation of the three Presidency Banks of Bengal, Bombay and Madras by Act XLVII of 1920. This Act provided also for an agreement between the Bank and the Secretary of State for India, in terms of which it has a deposit account for the Government, manages the Public Debt Office, for which it receives remuneration and does also the work of Government treasuries at its branches. The agreement is for ten years in the first instance and was signed on the 27th January 1921. The history of the Bank carries us back to the year 1806, when the first Presidency Bank, the Bank of Bengal, was started under the name of the Bank of Calcutta. It received its first charter from the East India Company and the name of the Bank of Bengal in 1809. The East India Company contributed one-fifth of its capital and appointed three out of the nine directors. It was granted the power of issuing bank notes, which, however, were not made legal tender. They were first accepted by the Government only in Calcutta and later on in the Lower Provinces. In 1839, the Government resolved to grant the Bank the power of opening branches and of dealing in exchange. But the Bank authorities themselves added the significant expression, "payable in India" after the words, "buying and selling bills of exchange," thus excluding foreign exchange business, a restriction which lasts even to-day. The other two Presidency Banks, the Bank of Bombay and the Bank of Madras, were started in 1840 and 1843, respectively, with charters similar to that of the Bank of Bengal. In 1862 all the three Banks were deprived of the right of issuing notes and were given as compensation the use of Government balances free of interest. Most of the statutory restrictions on the Presidency Banks were withdrawn at the time. But in 1868 the Bank of Bombay failed. This was partly responsible for the reimposition of many limitations by the Presidency Banks Act (XI of 1876) which regulated these Banks up to their amalgamation. In the same year, the Government disposed of their shares in the three Banks and relinquished their right of appointing directors. It was also during that year that the Reserve Treasuries were formed at the Presidency towns for keeping the bulk of the surplus revenue of the Government, and the balances left at the disposal of the Banks were strictly limited.

36. **Bengal Circle: its funds and their employment.**—The Bengal Circle is the largest of the three circles, having jurisdiction over the greater part of India, including Burma, the other two circles merely controlling the Presidencies of Bombay and Madras and the Central Provinces. It is not possible to estimate accurately the amount of working funds employed by the Bank in the Presidency of Bengal. Previous to the amalgamation, the resources of the Bank of Bengal were shown separately but are now naturally included in the total funds of the Imperial Bank of India. Some figures were quoted by Sir Norman Murray in the course of his evidence before the Hilton

Young Commission for the last week in March 1925, and are summarised below in order to show what proportion of different kinds of deposits and advances belongs to the Bengal Circle:—

Analysis of business of the Imperial Bank of India for the last week in March 1925.

(In lakhs of rupees.)

Business.	Territory.	European.	Indian.	Banks.	Total.
		Rs.	Rs.	Rs.	Rs.
Current account deposits,	Bengal Circle ..	3.96	7.53	3.95	15.44
	All-India ..	6.48	14.13	6.56	27.17
Fixed deposits ..	Bengal Circle ..	2.55	9.96	5	12.56
	All-India ..	4.64	19.23	1.06	24.93
Bills discounted ..	Bengal Circle ..	3.38	3.72	..	7.10
	All-India ..	3.57	10.86	23	14.66
Cash credits ..	Bengal Circle ..	7.23	3.68	19	11.10
	All-India ..	12.49	14.69	45	27.63
Overdrafts ..	Bengal Circle ..	1.51	3.49	.37	5.37
	All-India ..	3.02	5.44	55	9.01
Loans	Bengal Circle ..	3	1.73	80	2.56
	All-India ..	1.86	14.22	4.06	20.14

The first thing to be noticed in the above figures is that the Bengal Circle is responsible for more than half of the aggregate current deposits and nearly half of the fixed deposits. About the same proportion is to be observed in the case of bills and overdrafts, whereas in the case of cash credits and loans, the proportions are 40 per cent. and 13 per cent. respectively. How far the deposits in the Bengal Circle are employed as advances in the other two circles may be seen better from the following figures summarised from the last table:—

	Current account and fixed deposits.	Bills, cash credits, overdrafts and loans.
	Rs.	Rs.
Bengal Circle	28,00,00,000	26,13,00,000
All-India	52,10,00,000	71,44,00,000
Percentage of Bengal Circle of All-India figures ..	54 per cent.	37 per cent.

It should be remembered, however, that the figures are for March, when there is slack season in Bengal, and the volume of advances less than at other times. Unfortunately, average figures covering a sufficiently long period to obviate seasonal fluctuations are not available. Some figures for the quinquennium ended 31st December 1929 for Bengal branches including Calcutta Local Head Office were kindly supplied by the Imperial Bank for the private information of the Committee. They do not, however, throw any light on seasonal fluctuations either in deposits or in advances. They only tend to show that deposits in current accounts and fixed deposits have somewhat declined and those in savings banks have increased during the period, but the number of holders of current accounts has increased much more than that of savings bank depositors. Another noticeable feature is that the average amount for which each cheque is drawn, has

declined, whereas the number of cheques drawn on each account has increased, specially after the abolition of the stamp duty on cheques. The discounting of bills has very much declined, both in number and in amount. The number of borrowers has somewhat increased, but the aggregate advance has sensibly declined. To sum up, the aggregate deposits are slightly less in 1929 than in 1925, whereas the aggregate advances have very much decreased. It follows therefore that the resources of Bengal are being employed in other parts of India to a greater extent than before.

37. Position vis a vis other banks.—It is common knowledge that the Imperial Bank is a composite institution, being partly a bankers' bank and partly a commercial bank. So far as the Bengal Circle is concerned it will be seen from the table of figures quoted above, that it is predominantly a commercial bank, the respective proportions of its business with banks to its total business being as shown below, according to the table quoted above:—

Business.						Percentage of business with banks to total business.
Current accounts	..	..	..	..	..	26
Fixed deposits	..	..	..	..	..	$\frac{1}{2}$
Bills	..	..	..	..	..	0
Cash credits	..	..	..	..	..	2
Overdrafts	..	..	..	..	..	7
Loans	..	..	..	..	..	31

Another point to be remembered in this connection is the alleged treatment by the Imperial Bank of joint stock banks and indigenous bankers in the mufassal in Bengal. Thus it has been urged before our Committee that loans even against approved securities, such as Government paper, are not readily given, and there is an attitude of apathy and unconcern, quite out of keeping with a bankers' bank. But it has been pointed out to us that the main difficulties are due to the methods of business followed by the Bank's customers rather than by the Bank itself. In the case of joint stock banks, legal formalities such as the production of the memorandum and the articles of association, and the resolution appointing the Imperial Bank as bankers and the registration of regular powers of attorney in favour of the officials, who are to operate on the accounts, are sought to be dispensed with. While there is considerable force in this argument, some of the strained feeling may be removed if the agents of mufassal branches of the Imperial Bank mix socially with their prospective customers more freely than now, as pointed out by the Indian Chamber of Commerce. Closely connected with this question, is the alleged competition of the Imperial Bank with the joint stock banks. It has been urged that the Imperial Bank gets special facilities in the shape of interest-free Government balances and in the matter of remittance of funds, in addition to the prestige of being the Government banker, and thus the competition is on unfair terms. But it should be remembered that the rates of interest allowed on deposits by the Imperial Bank are lower than those granted by other banks. To this it is replied that because of such exceptional facilities for obtaining deposits at a low rate, the Imperial Bank is in a position to offer cheaper rates for advances than joint stock banks which are thus adversely affected. While there is considerable force in this contention, the Committee desire to point out the resulting benefit to the

public from better financial facilities. In this connection, it should be remembered that the Imperial Bank charges only $\frac{1}{2}$ per cent. on inter-branch transfers from banks, whereas the rates for the public are as follows:—

- $\frac{1}{4}$ per cent on sums below Rs. 1,000.
- $\frac{1}{2}$ per cent. on sums from Rs. 1,000 to Rs. 10,000.
- $\frac{3}{4}$ per cent. on sums of Rs. 10,000 and over.

Thus the superior facilities enjoyed from the Government are partly shared with other banks.

38. Indians versus Europeans.—Another complaint made against the Imperial Bank from its clientele other than banks, is the alleged preference to European customers. The Committee wanted to investigate the matter fully, but were unsuccessful. On the one hand, witnesses made only vague accusations. On the other hand, the Imperial Bank did not produce any figures, but merely stated that in making advances it was guided purely by the standing and credit of the firm or person, each proposal being dealt with on its business merits. The only analysis of customers before the Committee was Sir Norman Murray's table reproduced earlier in the chapter, which tends to show that the proportion of Indian to European deposits is higher than the proportion of Indian to European advances in the Bengal Circle.

39. New branches.—Another complaint against the Imperial Bank voiced before the Hilton Young Commission was its competition through new branches. So far as Bengal is concerned, seven new offices in the mufassal were added after the passing of the Imperial Bank Act to the three in existence before, as shown in the following table:—

Branch.	Date of establishment.
Before the passing of the Act—	
1. Dacca .. .. .	.. March 1862.
2. Jalpaiguri .. .. .	.. September 1894.
3. Chittagong .. .. .	.. February 1906.
After the passing of the Act—	
4. Mymensingh .. .. .	.. August 1922.
5. Darjeeling .. .. .	.. September 1922
6. Rangpur .. .. .	.. February 1923.
7. Chandpur .. .. .	.. July 1924.
8. Asansol .. .. .	.. November 1925.
9. Howrah .. .. .	.. December 1925.
10. Narayanganj .. .. .	.. January 1926.

The branch at Serajganj established in July 1923 was closed last year as the bank premises were washed away by the erosion of the river. The first branch is really the Dacca Bank, started as early as 1846, by some officials and non-officials, which had a useful career till its absorption with the Bank of Bengal. It is only at two places, viz., Chittagong and Howrah that there are branches of Exchange banks also. At Darjeeling, the branch was opened a few months before the failure of the Alliance Bank of Simla. There does not appear to be any serious competition with indigenous bankers, banks and loan offices in the mufassal. One result of such expansion of branch banking in Bengal and in the rest of India, has been a considerable increase in remittance business, required principally for the movement of crops.

40. Jute.—One of the chief crops in the finance of which the Imperial Bank in Calcutta and some of its branches play an important

part, is jute, which is practically a monopoly of Bengal. The method followed is the same as in the case of other crops. The Bank makes advances to merchants on the hypothecation of the stock of jute stored in their mufassal godowns. Bills drawn by mufassal jute merchants on their Calcutta buyers are also discounted at the branches of the Bank in different jute centres of the province. But it is difficult to say what part of the total finance required for the jute crop is thus supplied by the Imperial Bank as no figures could be obtained from the Bank itself. There is, however, no doubt that it now plays an important part in the remittance of funds to jute centres. Before the War, the leading firms in Calcutta, which purchased jute, used to cash notes at the Currency Office in Calcutta, and take the money in silver to centres like Narainganj, Serajganj, Dacca and Chandpur. Apart from the risk, the remittance of silver involved heavy charges, so much so, that the Bank of Bengal was able in normal times to obtain 5 annas per cent. on transfers of money between Calcutta and Dacca in the busy season, as pointed out by Mr. Gubbay in the course of his evidence before the Babington Smith Committee. With the establishment of the Imperial Bank, the charges for the remittance of funds has been much reduced, as shown in the table quoted earlier in this chapter. The Bank is now getting a bigger and bigger share of the total remittance business. It appears from the report of the Controller of Currency in India for the year 1928-29, that during the three years from 1926-27 to 1928-29, the proportion of the estimated value of the total annual jute crop for which remittance was effected through the agency of the Imperial Bank was 26.1, 30.4 and 33.6 per cent., respectively.

41. **Tea.**—In financing the tea industry of Bengal, the Bank plays a more prominent part. It does not ordinarily finance capital and block expenditure of tea gardens, but it provides the annual running expenses connected with the growing and manufacture of tea and bringing it to the market. Crops are usually hypothecated to the Bank in addition to the guarantee of an approved guarantor. Such advances are repaid as the proceeds of the tea crop are realised. The present rate of interest charged by the Bank on cash credit advances, granted on the further security of the hypothecation of tea crop is 7 per cent. per annum. The mufassal branches of the Bank purchase also approved demand drafts drawn for the purpose of defraying the working expenses of tea gardens on the Calcutta managing agents.

42. **Tobacco.**—In the case of tobacco, the Rangpur branch of the Imperial Bank discounts some local bills but such finance bears a very small proportion of the total funds required for the crop. The Bank has not yet entered into the business of advancing against stocks of tobacco in the godowns in the mufassal. The only important part played by the Bank in the tobacco trade, as in other trades, consists in the remittance of funds required by Burmese and other merchants, who come to Rangpur for purchasing tobacco.

43. **Other methods of providing agricultural finance.**—These are some of the special lines of work in which the Imperial Bank assists in the marketing of agricultural produce in Bengal. It also finances agriculture indirectly by granting cash credit to co-operative banks, though the amount of such finance is still very small. Details of the present cash credit arrangement between the Imperial Bank and co-operative banks which came into full operation in 1927-28, will be discussed in chapter XI (paragraph 303).

Joint Stock Banks.

44. **Classification.**—The joint stock banks in Bengal may be roughly divided into two classes, viz., those operating in Calcutta and those at work in the mufassal. The latter have been described in chapter XIV-A. The former again may be subdivided into two categories, although the distinction is not clearcut. Thus there are some joint stock banks in Calcutta which are purely commercial banks, whereas there are some which also carry on other kinds of business, such as mortgages and pledges of ornaments. This latter type of institutions will be discussed in a later section of this chapter. In the present section a brief account will be given of the commercial banks in Calcutta in the strict sense of the term. Some of these banks have their head office in Bengal while the rest are represented only by branches.

45. **Description of chief commercial banks.**—At present the oldest and by far the most important bank in the former class is the Allahabad Bank. It was started in 1865 under European management, with its head office at Allahabad, which was later on transferred to Calcutta. In 1921, the Peninsular and Oriental Banking Corporation acquired a controlling interest in this old institution. The number of joint stock banks in the latter class is also very limited. The most important of these are the Central Bank of India, registered in 1911, and the Bank of India, registered in 1906, with their head offices in Bombay. The former is under Indian management and is the biggest joint stock bank in the country. It acquired its present size in 1923, when it took over the Tata Industrial Bank, with all its liabilities and assets. Later on, it acquired the control of the Union Bank of Bombay, though the latter still maintains a separate existence under the management of the Central Bank. The Punjab National Bank, started in 1895, is the oldest joint stock bank under Indian management, which has a branch in Calcutta. At present, the Allahabad Bank, the Central Bank of India, the Bank of India and the Punjab National Bank are the only joint stock banks, which are members of the Calcutta Clearing House.

46. **Business.**—The business, which joint stock banks carry on in Bengal, is much the same as in other parts of India. They have only the leavings of business of the Imperial Bank and the Exchange banks, both of which are able to attract deposits at much lower rates than the joint stock banks. As pointed out in the previous section, the Imperial Bank is acquiring more and more of the remittance business. In foreign exchange business also, joint stock banks are unable to compete with Exchange banks. Their chief business at present is discounting of hundis, opening of cash credits and granting of loans against various kinds of securities. Advance against stocks of agricultural produce is rarely given. Stock exchange shares are by far the most important class of securities. Most of these are accompanied by signed transfer deeds, with the name of the transferee blank. This inchoate instrument is attached to the relative share scrip and passes from hand to hand till the last transferee desires to have his name registered in the books of the company, which issued the shares. There is not much difficulty with regard to the realisation of dividends, as they are generally paid to banks, which certify that they hold the shares, and not to the person, whose name is registered in the

books of the company as a share-holder. A few companies, however, insist on a stamped indemnity, while some others require a mandate from the share-holder for the payment of dividend. This blank transfer system is adopted to avoid the payment of stamp duty on each transfer. Another peculiar kind of security prevalent in Calcutta is the hessian delivery order. This is issued by the managing agents of jute mills to their buyers, authorising the manager of the mill concerned, to deliver a specified quantity and quality of hessian. This passes from hand to hand by endorsement; but, although transferable, it is not negotiable, that is to say the transferee does not acquire any better title than the transferor. Indian joint stock banks gave advances against hessian delivery orders even before the War; but after the War, the Exchange banks are also doing this business.

Exchange Banks.

47. Classification.—Exchange banks in India are usually classified into two groups, viz., (A) those which do a considerable portion of their business in India, i.e., having 25 per cent. or more of their deposits in India; and (B) those which are merely agencies of large banking corporations doing a major portion of their business abroad, i.e., having less than 25 per cent. of their deposits in this country. There are at present six banks in group A and twelve in group B. All the banks in group A have branches in Calcutta. They are the Chartered Bank of India, Australia and China, the National Bank of India, the Mercantile Bank of India, the Peninsular and Oriental Banking Corporation, the Eastern Bank and Messrs. Thomas Cook and Sons (Bankers). Most of these banks have no other branch in Bengal. Only the National Bank has a branch at Chittagong and the Mercantile Bank a branch at Howrah. Of the twelve banks in group B, only nine are represented in Calcutta. They are Lloyds Bank, Hongkong and Shanghai Banking Corporation, Yokohama Specie Bank, the Bank of Taiwan, National City Bank of New York, Nederlandsch Indische Handelsbank (Netherlands India Commercial Bank), Nederlandsche Handel-Maatschappij (Netherlands Trading Society), American Express Company and Messrs. Grindlay & Co. All the six banks of group A and these nine banks of group B are members of the Calcutta Clearing House.

48. Private companies.—There is only one private limited company in each group, viz., Messrs. Thomas Cook & Sons (Bankers) in the first and Messrs. Grindlay & Co. in the second, both incorporated in England. Banking is only a part of the business carried on by them. In the case of Messrs. Thomas Cook & Sons, banking is carried on quite independently and separate balance sheets are published. But in the case of Messrs. Grindlay & Co., the banking department and the passage and shipping department are under one management and the two departments form a single whole. The firm was originally a partnership, the Calcutta office having been started as early as 1856. It was only at the time of its affiliation with the National Provincial Bank in 1924 that it was converted into a private limited company.

49. Public companies.—In fact, some of the Exchange banks were started long before the existing joint stock banks. The oldest of the institutions, now carrying on business in India, is the Chartered Bank of India, Australia and China, incorporated in England in 1853 under a Royal Charter, which has been renewed on various occasions, the

last date being in 1909, when it was renewed for 30 years. Though its charter is valid in Australia, local opposition has prevented it from opening any office there, in spite of repeated efforts. It commenced business in Calcutta in 1857. The next in point of age is the National Bank of India, established in 1863, under the name of the Calcutta Banking Corporation, which was changed to the present name on March 2, 1864. The head office was at first in Calcutta, but was transferred to London in 1866. As a result of this, the bank lost its predominantly Indian character. It may be recalled in this connection that at the time of the transfer, four out of the seven directors were Indians, viz., Baboo Doorgachurn Law, Baboo Heraulaul Seal, Baboo Patit Pabun Sein and Maneckjee Rustomjee, Esq. Of the two auditors, one was a Bengali—Shamachurn Dey, Esq. The paid-up capital of Rs. 31,61,200 at the time was increased to £466,500, requiring representation of non-Indian interests on a wider scale. The Mercantile Bank of India has been in existence in its present name since 1892, but is actually much older. It was formed out of the Chartered Bank of Asia which obtained its charter as early as 1853 and of the Mercantile Bank of India, London and China started in Bombay in the same year. The Eastern Bank was incorporated in 1909. Lastly, the Peninsular and Oriental Banking Corporation was established in 1921 and from January 1, 1928, its control together with that of the Allaha-bad Bank, which had become affiliated to it, passed to the Chartered Bank of India, Australia and China. An important event in Indian banking is the recent entry of the Lloyds Bank, which, with the absorption of Messrs. Cox & Co., H. S. King & Co., and associated firms, has built up a considerable business in India. Of the Exchange banks, which have no sterling capital, the oldest is the Hongkong and Shanghai Banking Corporation established by an ordinance of the Hongkong Legislative Council in 1867.

50. Resources and their employment.—It is difficult to estimate the assets and liabilities of these banks in India, not to speak of the proportion for Bengal. Even in group A, all the banks are not alike. For instance, the National Bank of India has nearly half of its investments in Indian Government rupee securities and half of its deposits in India. This does not mean that other banks find their Indian resources insufficient for their Indian business. For even a big bank like Lloyds, which has only a small percentage of its total business in India does not find it necessary to import funds from outside. In the course of his last annual address, Mr. J. Beaumont Pease, the Chairman of Llyods Bank, has clearly stated that its Indian branches are self-contained and makes little or no call on the resources at the other end. In fact, the present resources of the Exchange banks in India are more than sufficient to carry on their proper business. Sir M. Turner, Chairman of the Chartered Bank, referred to the increasing competition and declining profits of Exchange banks in the course of his annual address in March 1928. One result of this competition, which is being felt with greater and greater severity specially after the post-War slump, is that Exchange banks have been compelled to take up new lines of business, which were formerly in the hands of Indian joint stock banks alone. Advances against hessian delivery orders have been already referred to, in the previous section. Discounting of inland bills or hundis was also in vogue among the Exchange banks in Calcutta before the present trade depression. It is true this business is declining at present, but that

is not wholly due to the disinclination on the part of Exchange banks to encroach upon the province of Indian joint stock banks. As a matter of fact, during the past few years, the total volume of hundis discounted is becoming less and less. It has already been pointed out that the **Imperial Bank** has been employing smaller proportion of its funds in bills. The reasons are not far to seek. On account of the present trade depression, there are more accommodation bills now than in pre-War days. The sanctity of contractual obligations in respect of the payment of hundis, which was such a pleasant and noticeable feature even a few years ago, has now somewhat declined. It is no wonder therefore that Exchange banks are now trying to avoid this line of business as far as possible.

Private Banks.

51. **Definition.**—By private banks (including bankers) we mean banking institutions which are either organised as partnerships or as private companies. As defined in the Indian Companies Act of 1913, a private company means a company which by its articles—

- (a) restricts the right to transfer its shares; and
- (b) limits the number of its members (exclusive of persons who are in the employ of the company) to fifty; and
- (c) prohibits any invitation to the public to subscribe for any shares or debentures of the company; and
- (d) continues to observe such restrictions, limitations and prohibitions.

52. **Limited liability of private companies in Bengal.**—Liberty to form a private company with two or more persons, with or without limited liability, is granted by section 5 of the Indian Companies Act. It may be noted here that the private companies carrying on banking in this Presidency have all been organised on the principle of limited liability.

53. **Trade cum banking by European partnerships.**—The present position of indigenous banking firms will be discussed in a subsequent section. The scope of the present section being thus narrowed, we find that there are very few partnership firms, carrying on banking on European lines, along with other businesses. They are really following the traditions of old Agency Houses, one of which established the first European bank in Calcutta, the Bank of Hindustan, as early as 1770. The most noted of such firms at present is Messrs. Thacker Spink & Co., having stationery and books and banking departments. No reply has been received by the Committee with regard to its banking resources and their employment. Nor are its balance sheets available. Another partnership firm carrying on banking side by side with other types of business such as insurance, gunny, coal, etc., are Messrs. Gillanders, Arbuthnot & Co., who were unwilling to supply any information to our Committee about their banking activity.

54. **Private limited companies.**—The same difficulty was experienced even in the case of private limited companies. It is true that they have to be registered like the public limited companies, but their balance sheets have not to be submitted under the Indian Companies Act. The only information available from the Registrar of Joint Stock Companies, Bengal, is given in the table below:—

List of private banks and allied institutions at work in Bengal during the year 1922-23.

No.	Date of Registration.	Name of Company.	Objects of Company as given in memorandum of Association.	Authorised capital.	Subscribed capital.	Paid-up capital.	Situation of Registered Office.
1	23rd Oct. 1908 ..	Rajnagar Loan and Trading Co., Ltd.	Banking and money-lending business.	Rs. 20,000	Rs. 10,400	Rs. 10,400	Dacca.
2	26th April 1918 ..	The Jagadamba Loan Co., Ltd.	Money-lending business ..	5,00,000	4,72,020	4,72,020	Lahpur, district Birbhum.
3	23rd Feb. 1920 ..	The Pioneer Agency, Ltd.	To carry on the business of banking and manufacture of oil, rice, silk and other fabrics.	20,000	5,000	2,500	Berhampur, district Murshidabad.
4	26th Nov. 1920 ..	Rosheya Trading and Banking Co., Ltd.	To give loans, to take various sorts of deposits and to cultivate paddy, jute, fruits, etc.	1,00,000	1,00,000	99,690	Village Rosheya, P. O. Atwari, district Dinajpur.
5	24th Jan. 1921 ..	The Banking Corporation, Ltd.	To carry on the business as traders, bankers, managers, agents, managing agents, etc.	30,000	5,500	1,100	Natore, district Rajshahi.
6	28th April 1921 ..	Trading Syndicate, Limited.	To carry on the business of banking and trading in general such as dealing in paddy, rice, wheat, etc.	20,000	10,000	3,250	Rohanpur, district Malda.
7	26th Nov. 1922 ..	The Murshidabad Agency, Limited.	Banking business ..	20,000	75	75	Berhampur, district Murshidabad.

No.	Date of Registration.	Name of Company.	Objects of Company as given in memorandum of Association.	Authorized capital.	Subscribed capital.	Paid-up capital.	Situation of Registered Office.
8	6th Oct. 1923 ..	The Lakshmi Loan Corporation, Limited.	Banking and money-lending business.	Rs. 30,000	Rs. 25,000	Rs. 5,000	Kurigram, district Rangpur.
9	21st Aug. 1924 ..	Trash Bank Limited	Banking business ..	1,00,000	..	..	Pabna.
10	24th Sept. 1924 ..	Kumar's Credit Corporation, Limited.	Banking business ..	25,000	..	..	Calcutta.
11	3rd Dec. 1924 ..	Adamdighi Bhatri Sangha, Limited.	To lend and to receive interest on mortgage of moveable and immovable properties.	50,000	45,000	22,500	Adamdighi, district Bogra.
12	8th March 1927 ..	Calcutta Bank, Limited	Banking business ..	50,000	..	..	Calcutta.
13	21st April 1927 ..	Mahalaxmi Industrial and Trading Bank, Limited.	Banking business ..	20,000	..	..	Binpalpur, district Dinajpur.
14	28th Nov. 1927 ..	Dacca Oriental Loan and Trading Company, Limited.	Money-lending and banking business.	10,000	..	..	Dacca.
15	30th April 1928 ..	Nohalia Loan Office, Limited.	Money-lending business ..	30,000	..	..	Nohalia, P. O. Jaiganj, district Murehdabad.
16	5th June 1928 ..	Prabartak Bank, Limited.	Banking business ..	20,000	..	..	Dinajpur.

It will be seen that only two out of the sixteen private companies have their head office in Calcutta both professing to confine themselves to banking business proper. In the case of mufassal companies, some are avowedly money-lending firms, while some others add trade and even agriculture and manufacture to their banking business.

55. **Jagadamba Loan Company.**—The truth is these institutions are started by a small body of persons of local importance to meet some purely local needs. Their scope and method of business are thus necessarily different. To give only one instance, the Jagadamba Loan Company was registered as a money-lending company in April 1918, with its head office at Labpur in the district of Birbhum. Of the total paid-up share capital of Rs. 4,72,020, shares to the value of Rs. 4,67,020 have been contributed by Jagadamba Trustee Estate, while the remaining Rs. 5,000 have been raised from five other shareholders. No deposits are attracted from the public, the principal shareholder contributing the bulk of the deposits. According to the balance sheet of 31st December 1927, the Company has purchased zamindari worth Rs. 78,106, principally from defaulting borrowers. An important class of business of the Company is to make advances against land-mortgages; but in the case of small borrowers, who are tenants of the Company only promissory notes are taken. One special line of business is loans to different collieries, some of which are managed by the same firm as the Company itself. There is no doubt that similar peculiarities are to be found in the case of other private limited companies, but unfortunately no information could be obtained by us.

Indigenous Banking.

56. In the previous sections, a brief sketch of the organised banking system of Bengal has been given. In this and a few subsequent sections, an attempt will be made to describe indigenous banking and other credit institutions in the concisest possible manner. For, unlike the Imperial Bank of India, joint stock banks, Exchange banks and private banks, these will be discussed again in detail in separate chapters specially devoted to that purpose. In this introductory section, only the broadest outlines have been given. The distinguishing feature of indigenous banking, as pointed out in Chapter XIII, is the hundi business. The revenue derived from stamps on hundis, including inland bills of exchange, therefore, gives some idea about the volume of indigenous banking. In the table below, figures for the different districts of Bengal for the fiscal years 1925-26 and 1928-29 are given :—

District.	Value of hundi stamps sold during the year ended 31st March.	
	1926. Rs.	1929. Rs.
Calcutta	1,83,463	1,26,894
Dacca	5,134	3,165
Chittagong	4,445	4,133
Mymensingh	1,983	1,081
Bakarganj	363	228
Jalpaiguri	356	250
Pabna	285	..
Rangpur	278	961
Others	57	135
Total	1,96,364	1,36,847

It is evident from the above table that practically the entire business is confined to Calcutta. Dacca, which was the district next in point of importance, partly for historical and partly for commercial reasons, is now below Chittagong in the list, on account of the rapidly increasing importance of that port. Another fact noticeable is the serious falling off in the business practically everywhere, except in Rangpur. It seems, therefore, that indigenous banking is unable to hold its own in competition with other credit institutions. So far as the attraction of deposits is concerned, joint stock and co-operative banks have proved formidable rivals, and with regard to remittance work, the indigenous bankers cannot compete either with the Government or with the Imperial Bank.

Money-lenders.

57. There is much confusion even now between indigenous banking and money-lending, although the distinction was pointed out as long ago as 1898 by Sir A. P. Macdonell before the Fowler Committee: "There are two sorts of loan transactions upcountry. There is the loan by the bunneah or village money-lender, who deals with his own money and there is the loan by the mahajan or banker, who deals with other people's money as well as his own." The term bunneah is unknown in Bengal; but oftener than not, the village money-lender is called the mahajan. There is a similar difference in the meaning of the term poddar in Bengal villages. Thus it does not signify merely a money-changer as in towns but includes also a money-lender one of whose functions is to lend to cultivators, who are unable to dispose of their goods till the next market day, but must make some purchases on the present market day." According to the note on money-lenders, submitted to the Committee by the Income-tax Officer of Bakarganj, if the market is held once a week, as much as 1 per cent. is charged for such accommodation, which is reduced to $\frac{1}{2}$ per cent. where the market is held twice a week. The distribution of money-lenders in the different districts of Bengal and their methods of doing business will be discussed in a subsequent chapter. Suffice it to say here that the money-lender performs a necessary function and as he has detailed knowledge about his customers, he cannot be easily ousted from the field. He is therefore able to carry on his business in the traditional manner, without being much affected by competition from other lending agencies. From the table of interest charged by a money-lending firm in the district of Bogra for the last thirty years, printed in Appendix VI (6), it appears that the security offered is not the determining factor for interest, there being wide disparities even for the same class of security as shown in the following summary table:—

Rate of interest per cent. per mensem.				Note of hand.	Simple bond.	Mortgages.
				Rs. A.	Rs. A.	Rs. A.
Highest	..	..	..	3 2	3 2	2 8
Lowest	..	..	..	1 0	0 8	0 10

The rate of interest on small loans is generally higher than on big loans, but this is not always the case. Thus annas 8 per cent per mensem was rate of interest on a loan of Rs. 27 on simple bond contracted in

the month of Asarh in 1321 B. S., but Re. 1.5 per cent. per mensem was charged on a loan of Rs. 200, also on simple bond, only four months later. This difference is of course partly due to seasonal variations in the rates of interest. But the principal cause of the disparity is the money-lender's estimate of the financial status and integrity of his customers.

Co-operative Banks.

58. Main divisions of co-operative banks.—The co-operative banks may be divided into two distinct orders, the primary societies and the financing associations. The primary societies are corporations formed of ten or more adult persons who unite to form a bank for the purpose of financing themselves with capital raised on the security of their joint credit. The financing associations are federations of primary societies, which unite the credit of the member societies for raising capital to finance those societies.

59. Primary societies.—The primary societies are again divided into two separate classes, agricultural and non-agricultural. The former are composed mainly of the agriculturists who live in rural areas and are commonly known as rural co-operative credit societies or rural societies in short. The non-agricultural societies are again subdivided into two groups, the artisans' societies and the urban banks. The artisans' societies are composed of persons engaged in a single form of industry, such as weaving, shoemaking, manufacture of bell-metal utensils, etc. They may be situated in rural areas as well as in towns, wherever a number of artisans of one class reside. The urban banks are corporations formed of people of limited means, who reside in a town. They are again of two kinds, one consisting of the employees of a Government office, a local body, a commercial concern or an educational or other institution. The other urban banks commonly known as town banks have a heterogeneous membership which comprises all classes of people including professional men and men engaged in industry, commerce or trade.

60. Financing associations.—The federations of rural co-operative credit societies and of urban banks are known as central co-operative banks or central banks in short, while the federations of artisans' societies are known by the generic name of industrial unions. The financing associations are usually situated in the headquarters towns of districts and subdivisions and sometimes in the principal village in a rural area where there is a large number of primary societies in close proximity to one another. All central banks and industrial unions are federated into an apex bank, called the Bengal Co-operative Provincial Bank, Limited, or, in short, the Provincial Bank. Its headquarters are in the metropolis.

61. Rural societies.—By far the largest number of co-operative banks are rural societies dispensing agricultural credit. They are all based on unlimited liability, by which every member pledges all his assets jointly with every other member as well as severally for the liabilities for the society. This was found to be essential to secure sufficient credit at moderate rates for the agriculturist population who had till they joined these societies been compelled to pay high rates on

interest for the small amount of credit available in the villages. The usual rate of interest they used to pay was 37½ per cent. per annum though in many places the rate was much higher. Now the societies obtain their finances from the central banks at 9 to 10½ per cent. and the individual members of the societies can get their loans at 12½ to 18½ per cent. The volume of loans available to them has also increased to a large extent. The number of such societies on the 30th June 1929 was 16,889. They comprised 407,552 members, the large majority of whom were agriculturists. There are a few other villagers among them, such as petty traders or holders of small estates or tenures. The working capital of these societies aggregated Rs. 4,21,19,119.

62. Artisans' societies.—The development of the movement has not been so satisfactory in the case of artisans and small industrialists. These societies number only 392 with a membership of 6,395 and a total working capital of Rs. 7,05,864. Some of these societies particularly those among weavers are based on unlimited liability, but the rest are societies of limited liability. The artisans and small industrialists do not always live in close touch with one another and do not possess the same mutual trust as the agriculturists living in a village, and it was found impossible to combine them on unlimited liability save in exceptional cases. An ideal artisans' society is expected to buy the raw material in bulk and supply it on credit to the individual members, and to collect and sell the finished articles and recoup itself with the sale proceeds. It is also expected to finance the members with cash for the maintenance of themselves and their families, during the period when the articles are being manufactured and sold. All the artisans' societies commenced work with this high ideal but had to encounter many difficulties in competing with the local suppliers of raw material, in profitably marketing the finished articles and in the disloyalty of the members who would, for the sake of cash, sell their manufactures locally. At present many artisans' societies have given up the supply of raw materials and marketing of produce and have degenerated into purely credit societies. The present condition of most of these societies is not satisfactory.

63. Urban banks.—There is no difference in the constitution or working of the employees' banks and town banks, except that in the former the recoveries are more regular, being made by deductions from the monthly salaries. They are all based on limited liability and being composed of men of capacity and intelligence, they have gained the confidence of the investing public. They have secured a large amount of deposits, Rs. 53 lakhs from their own members and Rs. 97 lakhs from outsiders. These resources, supplemented by their share capital and reserve funds, have made them to a large extent independent of the central banks. They number 410 with a membership of 148,028 and total working capital of Rs. 225 lakhs. The larger banks have joined the federation of the Provincial Bank and obtain their finance directly from it. Two of them have even cash credits from the Imperial Bank on the guarantee of the Provincial Bank. All urban banks are prosperous and they are of great benefit to the persons of limited means who have joined them. There are no banks for financing petty traders only, although many urban banks admit them as members.

64. **Central banks.**—The ideal central bank, called the pure type central bank, is a federation composed of primary societies only, but there are only a few of such banks. It was found that in most places the members of the primary societies could not supply enough men of education, business habits and ability to form efficient directorates of the central banks; nor had they many men who had personal influence enough to command the confidence of the investing public. For this reason central banks of mixed type were organized. They are composed of ordinary shareholders who are the constituent primary societies and preference shareholders who are influential persons of capacity and influence and have joined the movement principally from philanthropic motives. It is by their untiring and unselfish labour that these organisations have reached the present high stage of development. All central banks are based on limited liability and derive their resources from their own share capital and reserve fund, deposits from the preference shareholders and non-members and advances from the Provincial Bank and in a few cases from the Imperial Bank. Their number at present is 112 comprising 17,019 primary societies and 4,376 individual members, and their working capital aggregates Rs. 3,92,76,446. In this province, the Government has entrusted the central banks with the most important duty of organising, supervising and fostering the growth of the primary societies. For this purpose they entertain a large staff of whole-time supervisors each of whom has on an average about 30 societies to control. In the earlier stages of its growth, a central bank obtains a small grant-in-aid from the Government towards the pay of this supervising staff, but it is discontinued as soon as the bank begins to make a profit. The central bank pays up to 7 per cent. on deposits and $7\frac{1}{2}$ to 9 per cent. on advances from the Provincial or Imperial Bank, while it lends to the constituent societies at $9\frac{3}{4}$ to $10\frac{1}{8}$ per cent. All central banks are working successfully and have evinced a remarkable aptitude for banking. They have fostered the growth of cheque habit in the mufassal by the opening of current accounts for the general public and encouraged thrift by establishing savings banks and provident funds. Some central banks have also begun to do commercial banking in a small way, making remittances, collecting bills and issuing demand drafts. Many of them have constructed imposing business premises on modern lines. By their businesslike methods they can compare favourably with any other organised banks in the country.

65. **Industrial unions.**—There are only 8 industrial unions in Bengal, with a membership of 292 constituent societies and 624 preference shareholders. Their united working capital amounts to Rs. 6,46,258. Their constitution and methods of business are similar to those of the central banks except that they engage in the business of co-operative purchase and co-operative marketing on behalf of their constituent societies. They are not very successful and like the artisans' societies are tending to degenerate into purely financing bodies. Recently an organisation has been established in Calcutta for the marketing of the produce of the artisans, sent down by these unions, but it is not a bank in any sense of the word.

66. **Provincial bank.**—The Provincial Bank is a pure type federation of the central banks and industrial unions. It has however also

admitted a certain number of primary societies. There are no preference shares, but the directorate, composed of fifteen elected representatives of the constituent banks and societies, is strengthened by the appointment of three outsiders, one of whom is the Chairman and another is the Registrar. The Chairman is usually a businessman of high repute who takes interest in the movement. The present Chairman is Sir Rajendra Nath Mukerjee. As the majority of the Directors are residents of the mufassal who find it inconvenient to attend in Calcutta for the purpose of the bank's business, a small committee, called the rotation committee, in which the directors sit in rotation, is entrusted with the current business of the bank. The bank balances the surpluses and deficits of the constituent banks who are expected to send all their surpluses to it and take all advances they require from it, but in practice, there is some direct inter-lending between one central bank and another. The bank accepts current deposits and also fixed deposits from the constituent banks as well as savings deposits and fixed deposits from the general public on which it pays interest at varying rates ranging from 2 to $6\frac{1}{2}$ per cent. and lends to constituent banks and societies at 7 and $7\frac{1}{2}$ per cent. The working capital of the bank is Rs. 1,71,90,645 composed as follows:—

	Rs.
Share capital	13,69,475
Reserve fund	3,63,098
Deposits of member societies	8,74,444
Deposits of central banks	22,56,145
Deposits of non-members	1,23,27,483

Post offices.

67. **Savings banks.**—Post offices participate in the credit organisation of Bengal mainly in four ways, through (a) savings banks, (b) cash certificates, (c) money orders and (d) value-payable articles. Although a fair volume of remittance is effected through insured and registered post, it is impossible to determine the amount accurately. The aggregate declared value of insured articles includes valuables, other than money, such as, ornaments, important documents etc. On the other hand, the declared value of remittances is in some cases less than the real value. By far the most important credit operation done by post offices is through savings banks. The first Government savings bank in India was opened in Calcutta in 1833, similar banks in Madras and Bombay following in 1834 and 1835 respectively. Between 1863 and 1865, the management of these banks was transferred to the Presidency Banks. In 1870, district savings banks were instituted in all parts of India except Calcutta and the Presidencies of Madras and Bombay. In April 1882, post office savings banks came into existence but not till after opposition from the Comptroller General. On the 1st April 1886, district savings banks were abolished and the balances transferred to the post office, but the savings banks at Calcutta, Bombay and Madras were not transferred by the Presidency Banks to Government till 1st October 1896. The history of savings bank deposits in Bengal is one of almost uninterrupted progress. Unfortunately, the figures for Bengal are not separately available but are combined with those for Assam, which is included in the same Postal Circle as Bengal. But Assam makes such a small contribution as compared to Bengal that the figures indicate the trend for Bengal with

reasonable accuracy. In the table below, figures for the Bengal and Assam Circle and all-India are given for the years 1919-20 to 1927-28. As these were years of very great fluctuation in prices which must have affected the apparent volume of deposits, Calcutta wholesale price index number has also been added in the last column for facility of reference. It is evident that deposits would have been higher but for steadily falling prices from 1920-21:—

Bengal and Assam Circle.

Year.				Number of depositors.	Average number of depositors per bank.	Average balance in each bank.	Average balance at credit of each depositor.
(1)				(2)	(3)	(4)	(5)
						Rs.	Rs.
1919-20	..	..	..	496,088	182·11	17,098	93
1920-21	..	..	..	528,427	192·85	19,245	100
1921-22	..	..	..	552,927	199·10	20,111	101
1922-23	..	..	..	576,420	225·34	23,864	106
1923-24	..	..	..	613,754	237·06	25,545	107
1924-25	..	..	..	651,735	247·43	26,623	108
1925-26	..	..	..	702,450	239·09	26,713	112
1926-27	..	..	..	752,257	254·23	28,089	110
1927-28	..	..	..	665,768	222·51	28,717	129

All India.

Year.				Number of depositors.	Average number of depositors per bank.	Average balance in each bank.	Average balance at credit of each depositor.	Calcutta wholesale price, Index No. End of July 1914= 100.
				(6)	(7)	(8)	(9)	(10)
						Rs.	Rs.	(Calendar Year.)
1919-20	..	..	..	1,760,442	164·98	20,007	121	196
1920-21	..	..	..	1,877,957	175·29	21,340	122	201
1921-22	..	..	..	1,958,324	182·03	20,693	114	178
1922-23	..	..	..	2,043,502	190·44	21,621	114	176
1923-24	..	..	..	2,089,314	198·32	23,529	119	172
1924-25	..	..	..	2,164,473	201·77	23,901	118	173
1925-26	..	..	..	2,317,390	207·61	24,396	118	159
1926-27	..	..	..	2,518,142	209·95	24,603	117	148
1927-28	..	..	..	2,606,071	211·42	26,502	125	148

On comparing column (3) with column (7), it is seen that the number of depositors per bank is higher in Bengal

than in the whole of India. But a comparison of column (4) with column (8) shows that the average balance at each bank in Bengal is actually lower during the first few years and is not proportionately as high as the number of depositors during other years except in 1927-28. It follows, therefore, that barring this single exception, the average balance at the credit of each depositor in Bengal is lower than that in the whole of India, which is seen better by comparing column (5) with column (9). Curiously enough, 1927-28 is the only year during which the number of depositors in Bengal records a decrease. It is clear therefore that some of the smaller depositors must have closed their accounts. In fact, so far as Bengal is concerned, the general notion that Post Office savings bank accounts are kept mainly by salaried middle class persons, does not seem to be correct. If reference is made to the statistics of monthly deposits in Bengal, supplied by the Post-master-General in the course of his replies to the special questionnaire of this Committee, it will be seen that there are well-marked seasonal declines in June and in December-January. This shows that people with agricultural interests are among the depositors in savings banks.

68. Cash certificates.—Cash certificates which were introduced as a war measure, have now become a permanent feature of Indian public finance. How popular this form of investment is, will appear from the following table:—

Year.	Issue price of ten-rupee certificate.	Cost price of cash certificates sold.		Yield per cent. on 3½% Government paper.
		Bengal Presidency.	All-India.	
(1)	(2)	(3)	(4)	(5)
	Rs. A.	Rs.	Rs.	(Calendar Year.)
1919-20	7 12	33,64,597	86,34,169	4·9
1920-21	7 12	11,58,804	51,87,262	5·8
1921-22	7 12	9,75,206	47,98,451	6·2
1922-23	7 12	16,92,825	70,00,084	6·3
1923-24	7 8	1,35,80,267	6,90,79,957	5·7
1924-25	7 8	1,13,96,352	6,09,94,454	5·2
1925-26	7 8	1,81,39,516	9,55,56,358	5·2
1926-27	7 8	1,36,11,992	7,53,55,429	4·7
1927-28	8 0	1,11,96,062	6,08,55,139	4·4

The effect of reducing the price from Rs. 7-12 to Rs. 7-8 in 1923-24 is strikingly seen in the above table. This shows that cash certificates compete with other forms of investment and can always attract funds by raising the yield above the figures obtainable elsewhere. It should be remembered that it is not the absolute issue price, which is the determining factor, but the relative price as compared with alternative ways of investment. For instance, although the issue price remained the same during the entire period from 1919-20 to 1922-23 and again from 1923-24 to 1926-27, the sales of cash certificates fluctuated in sympathy with the yield on 3½ per cent. Government paper quoted in the last column. In other words, even when the issue price remained the same, the volume of cash certificates sold, fell when the yield on Government paper rose, and *vice versa* (the only exception being during

1922-23, on account of the renewal of some cash certificates issued during the campaign of 1917). Thus cash certificates are more responsive to general monetary conditions than savings bank deposits.

69. Money-orders.—Prior to 1880, the work of issuing and paying money-orders was performed by the Government treasuries. Bills of Exchange were issued by one treasury upon another for a sum not exceeding Rs. 150 at a commission of 1 per cent. There were only 283 offices of issue and payment in India. Besides, the remitter had to make his own arrangement for sending the bill of exchange and the payee had to arrange for receiving payment at the paying treasury. These inconveniences were patent to everybody, but it was not without opposition that the money-order work was eventually transferred to post offices on 1st January 1880. The system at first adopted, was very elaborate. The money-order could not be sent by the office of issue directly to the office of delivery, where the payee resided, but only through what was called an office of preparation, viz., the head office controlling the office of delivery. In addition to this, the payee was required to receive cash at the office of payment as before. It was not till 1886 that the plan of paying money-orders at the houses of payees was adopted, following the German system. Another difficulty was the retention of the limit of Rs. 150, although the new system was quite unlike the old, inasmuch as the paying treasury could not possibly know the amount it would be called upon to pay, whereas money-orders were carried through the post office which could withhold delivery until sufficient funds were obtained. These reasons prevailed, and, in 1889, the maximum was raised to the present limit of Rs. 600, and at the same time, the wholly infructuous restraint on the number of money-orders that could be daily issued by one remitter in favour of one payee was done away with. Two other liberalising measures were introduced, viz., the telegraphic money-orders in 1884 and of revenue and rent money-orders in 1886. After all these modifications, the system has naturally proved a great success, as will appear from the following statistics:—

Year.	Bengal and Assam Circle.				India.	
	Issues.		Payments.		Issues.	
	Number in (millions).	Amount in rupees (crores).	Number in (millions).	Amount in rupees (crores).	Number in (millions).	Amount in rupees (crores).
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1919-20 ..	9,91	15,93	9,07	15,63	37,63	74,71
1920-21 ..	10,31	17,07	9,41	16,74	37,23	85,74
1921-22 ..	8,91	16,36	8,02	16,26	33,33	78,42
1922-23 ..	8,71	17,01	8,04	16,82	31,74	78,29
1923-24 ..	9,11	18,00	8,21	17,21	32,58	80,06
1924-25 ..	9,61	19,37	8,64	18,30	33,83	82,76
1925-26 ..	10,11	21,16	9,11	19,89	35,55	86,71
1926-27 ..	10,51	22,25	9,21	20,33	36,70	88,36
1927-28 ..	10,95	22,84	9,65	20,90	38,20	90,59

There are two points which are evident from the above figures. One is that the average amount of money-orders issued is small and in Bengal

it is smaller than in other parts of India. It is therefore clear that these do not compete with other forms of remittance. Another is that the amount issued by the Bengal and Assam circle is greater than the amount paid by it, specially during the past few years. Thus there is a transfer of savings from Bengal, which is therefore unable to reap the full economic advantage from the occupations carried on by people, who earn their living in this province, but do not make it their home.

70. Value-Payable system.—The value-payable or cash on delivery system was introduced in India in December 1877 and revolutionised the parcel traffic to a much greater extent than even the abolition in 1871 of rates proportional to distance. For, under the value-payable system, the post office undertakes not only to deliver the parcel to the buyer but also to collect the price from him for a small commission. In India where there are few big firms outside the Presidency towns, many purchasers in the interior have to utilise the services of the post office for many of their normal requirements. As Calcutta is by far the biggest emporium of trade, more than 3 million value-payable parcels valued at Rs. $6\frac{2}{5}$ crores were posted in Calcutta during 1927-28, representing nearly 80 per cent. of the entire value-payable postings of Bengal and Assam Circle and about a quarter of the total value-payable postings for the whole of India. The relevant statistics for the past few years are given below:—

Year.	Bengal and Assam Circle.		India.	
	Number in (millions).	Amount in rupees (crores).	Number in (millions).	Amount in rupees (crores).
(1)	(2)	(3)	(4)	(5)
1919-20	3.55	4.97	11.25	19.87
1920-21	3.56	5.74	11.51	22.12
1921-22	3.24	5.64	10.71	22.75
1922-23	3.00	6.16	10.31	23.66
1923-24	3.28	6.73	10.91	25.50
1924-25	3.40	7.08	11.50	26.50
1925-26	3.65	7.90	12.21	28.00
1926-27	3.72	7.84	12.51	27.33
1927-28	3.79	7.77	12.81	27.75

Government.

71. Direct and indirect credit operations by Government.—The part played by Government in the credit system of the province is both direct and indirect—indirect, in the case of the Imperial Bank and of the co-operative banks; and direct, in the case of the post office. In this section other direct financial operations by Government will be described.

72. Remittance.—Briefly, these are twofold, viz., remittances and loans. In addition to the facilities provided through the Imperial Bank and post offices, Government directly effects transfers of funds between different treasuries for the public, according to rules laid down for the purpose, either by supply bills or currency transfers. The latter are

always telegraphic and in even thousands of rupees with a minimum limit of Rs. 5,000. The former are in even hundreds of rupees, with a minimum limit of Rs. 1,000. The charges are the same in either case, viz., $\frac{1}{8}$ per cent. for amounts below Rs. 10,000 and $\frac{1}{16}$ per cent. for amounts of Rs. 10,000 or over. Only the cost of telegram has to be paid for currency transfers, Rs. 2 if sent by ordinary telegram, and Rs. 3 if by express telegram. The charges are thus the same as those of the Imperial Bank quoted earlier in this chapter. But the rates are much lower than in the case of postal money-orders, and a considerable volume of remittance business in Bengal is effected directly by Government, as will appear from the following statement:—

Sale of supply bills and currency transfers to the Public.

	In lakhs of rupees.		Percentage increase of 1928-29 over 1923-24.
	1923-24.	1928-29.	
Bengal (including Port Blair and Nepal)..	2,57	3,58	39
All-India	9,56	11,29	18

It will be seen from the above table that the remittance business has increased in Bengal at a much faster rate than in the rest of India during the last quinquennium.

73. **Loans.**—In the case of loan operations also, besides the indirect measure for the issue of emergency currency to the Imperial Bank under section 20 of the Paper Currency Act, Government directly provides finance in two ways, viz., under the Agriculturists' Loans Act (Act XII of 1884) and the Land Improvement Loans Act (Act XIX of 1883). These are in the main enabling Acts, leaving large discretion to provincial Governments to be exercised through wide rule-making powers. The operations of these two Acts in the different provinces are therefore different. The necessary figures for Bengal during the last decade are quoted below:—

(In thousands of rupees.)

Year.	Agriculturists' Loans Act.		Land Improvement Loans Act.	
	Loans outstanding at the commencement of the year.	Loans advanced during the year.	Loans outstanding at the commencement of the year.	Loans advanced during the year.
(1)	(2)	(3)	(4)	(5)
1919-20	11,74	21,64	1,69	43
1920-21	25,98	1,14	1,57	38
1921-22	15,84	1,26	1,31	50
1922-23	7,70	8,53	1,26	50
1923-24	11,95	1,56	1,21	27
1924-25	8,37	1,42	1,26	86
1925-26	3,42	27	1,08	17
1926-27	1,28	3,92	1,01	11
1927-28	3,22	3,41	91	79
1928-29	4,82	14,44	1,51	22

It is evident that the amounts advanced are quite insignificant in proportion to the agricultural needs, although the two Acts are very wide in their scope. Thus land improvement loans may be granted for any purpose, which will add to the letting value of the land, and for as long a period as twenty years; and agriculturists' loans may be advanced for the relief of distress, purchase of seed or cattle, or any other short term needs. The Government of Bengal apparently think ordinary needs to be beyond their scope, and grant loans only in cases of natural calamity, e.g., the severe floods in Bogra and Rajshahi during 1918, a smaller flood in Pabna in 1919, the great North Bengal flood of 1922 and the widespread failure of crops in Dinajpur, Birbhum, Murshidabad and other districts during 1928-29, when Government granted these loans somewhat more freely. Loans have also been granted by Government to a few landholders under exceptional circumstances.

Loan Offices.

74. **Nature of their business.**—There is a peculiar class of institution called loan offices, which play an important part in the banking organisation of Bengal. They are joint stock companies, registered under the Indian Companies Act and are mostly owned and managed by Bengalis. Their paid-up capital is small, but some of them, specially the older concerns, have attracted a fair volume of deposits, so that the working fund is considerable in the aggregate. The total on the 31st March 1929, has been estimated in Chapter XIV-A at not less than Rs. 9 crores, distributed among 782 companies. It is true that some of these concerns are unwilling to describe themselves as "loan offices" and call themselves banks, but as they perform much the same functions, it will be convenient to consider them all under the same general heading. It may be pointed out that no reflection can possibly attach to this term, seeing that an institution like the Rangpur Loan Office, with its total working funds exceeding 27 lakhs of rupees, does not consider it necessary to change its name. Even in the annual reports of the Registrar of Joint Stock Companies, Bengal, some institutions calling themselves "loan offices" have been put in the category of banks and conversely some called "banks" have been classed as loan companies. This has been done on the basis of their respective memoranda of association. It should be remembered, however, that the memoranda have to be drawn up in the widest possible terms so as to include every conceivable item of business. For instance, some recent loan offices in Bengal have put down motor bus traffic as an item of their business. One firm in Calcutta, the Midland Bank (India) Limited, has gone a step further and has given the following as one of the clauses in the memorandum:—

"To carry on the business of transport of all kinds, if the Bank thinks fit and specially, for goods and merchandise by running a sufficient number of light railways, motor lorries, motor buses, taxi cabs, motor boats, steam launches and other kinds of mechanically constructed 'carriers' in land, water and air and to do all possible sorts of business throughout India, Burma and Ceylon." But it does not necessarily follow that all the items mentioned in the memorandum will be actually put to operation. It is, therefore, necessary to rely more on the business actually done than on the business for which authority has been acquired in the memorandum of association.

Even this criterion is not altogether free from difficulties. For, while the vast majority of loan offices carries on land mortgage banking in greater or less degree and also grants loans against pledge of ornaments, some of the newer concerns are making considerable advances against personal security. The old practice of carrying on banking side by side with trading, zamindari, etc., is being gradually given up. In Calcutta, for instance, most of the institutions, owned and managed by Bengalis, advance money against Calcutta house properties but there are a few in which mortgages form only a small percentage of the total advance. Even in the mufassal, there are a few institutions which do not touch any mortgage business. For instance, the East Bengal Commercial Bank, having its head office at Mymensingh, is a commercial bank, in name as well as in fact, without any advance whatsoever against mortgages. It has opened up new lines of trade finance, viz., loans against crops stored or in the course of transit, the advance against mustard seeds alone aggregating Rs. 11,000 according to the balance sheet as on the 31st December 1927. On the other hand, some Bengali banks in Calcutta are trying to carry on the old traditions of loan offices by developing mortgage business, although of a different type, viz., advances against block assets of industries, as for example the Co-operative Hindustan Bank.

75. Are loan offices banks?—In view of these diversities, it is difficult to give a clearcut definition of loan offices and state clearly whether they can justly be called banks. This is not surprising, for there is considerable overlapping of functions between different types of financial institutions, even in countries with highly organised systems like England, so much so that the late Dr. Walter Leaf found it impossible to arrive at a satisfactory definition of the term "bank," although he devoted to this problem the whole of his Presidential Address before the Institute of Bankers, London, in 1920. In a broad sense, all loan offices are banks, as they attract deposit from the public and lend money. But in a narrower sense, many of the loan offices are merely joint stock organisations for lending money, not to trade and industry, but chiefly to landlords and tenants, often for unproductive purposes. This is not a very satisfactory definition, but in view of the great diversity pointed out above, it can hardly be improved upon.

76. Description of a few Calcutta companies.—Of the 782 companies mentioned above, as many as 756 are in the mufassal and will be discussed in detail in Chapter XIV-A. Of the 26 companies in Calcutta, two are private companies and have already been referred to. The remaining 24, although all falling within the same sub-class, are of varying importance. The oldest concern is the Bhowanipur Banking Corporation, which was registered on the 8th July 1896. This is by far the biggest company having a paid-up capital of 1.25 lakhs of rupees, a reserve fund of Rs. 2.65 lakhs and deposits of Rs. 29.61 lakhs, yielding a total working fund of Rs. 33.51 lakhs, according to the balance sheet, dated 30th June 1929. This may seem quite small in comparison with the resources of Exchange banks or of joint stock banks described in previous sections, but it should be remembered that only a small share of those resources is employed in Calcutta. The hours of business are from 8 to 10 in the morning and again from 3 to 5 in the evening unlike those of the commercial banks of Calcutta. The bank is endeavouring to free itself from lock-up advances and

trying to open fresh forms of liquid investments, such as loans against hypothecation of tea crops in Bengal and Assam, without however insisting on additional guarantees like the Imperial Bank of India. The next in importance is the Co-operative Hindustan Bank, incorporated on the 13th March 1909, having a paid-up capital of Rs. 1·68 lakhs, reserve fund of Rs. '86 lakhs and deposits of Rs. 14·98 lakhs, these making up a working fund of Rs. 17·52 lakhs. A special feature of its business, viz., advances against block capital of small industries has already been mentioned. But this bank is also trying to commercialise itself by increasing its advances against Government paper, stocks of goods and to a small extent against the hypothecation of tea crops. The third in the list of Calcutta loan offices arranged in order of their paid-up capital is the Luxmi Industrial Bank, registered on the 31st March 1922, having a working fund of Rs. 6·94 lakhs, made up of a paid-up capital of Rs. 1·66 lakhs, reserve fund of Rs. '23 lakhs and deposits of Rs. 5·05 lakhs. One peculiarity of this institution is a fair volume of advances against pledge of ornaments. In all other respects, it resembles an ordinary commercial bank. In fact, the present tendency of Calcutta loan offices is to secure as much liquidity for their investments as possible, in order that there may be no difficulty in meeting the demands on the part of their depositors. This wholesome feature is spreading even to the mufassal. In fact, Calcutta and mufassal are being brought into closer and closer touch, and their methods of business raised approximately to the same level. The opening of upcountry branches by the Imperial Bank has already been referred to. Some of the Calcutta loan offices are doing the same. For instance, the Bengal Central Bank, registered in its present form in 1918, has opened two branches, one at Dacca and the other at Rangoon. The Oriental Bank established in 1908 has four branches at Nator, Rajshahi, Tarakeswar and Hooghly, although it carries on the old tradition of keeping the office open in the morning and in the evening. The other process, viz., the opening of Calcutta branches by loan offices with mufassal head offices is also not unknown. Thus the Comilla Union Bank and the Khulna Banking Corporation have both opened branches in Calcutta. This is a most hopeful feature. For much of the weakness of the present credit system in Bengal is due to want of cohesion among the many agencies described in the different sections of the present chapter.

Part II.

Credit for Agriculture, Minor Industries and Internal Trade.

CHAPTER IV.

Agricultural Indebtedness.

77. **Previous inquiries—(a) By Major Jack.**—The problem of agricultural indebtedness is not peculiar to Bengal. So long as agriculture remains a precarious industry depending upon exigencies of the season, the peasant must borrow in a bad year, even though he might have made provision in good years, which is, however, not often possible in his present economic condition in Bengal. But this subject has not received in the past as much attention as it deserves from administrators and economists. The problem vitally affects the great majority of the population. The most widely known work on the subject is by the late Mr. J. C. Jack, I.C.S., who made a house-to-house inquiry in the district of Faridpur during the years 1906 to 1910 when he was in charge of the settlement operations there. The results are given in his "Economic Life of a Bengal District" and also in his Settlement Report of Faridpur, both published in 1916. He takes a typical rural family in Faridpur as consisting of five persons, including children. He finds the average indebtedness of such a family to be Rs. 55, but he points out that 55 per cent. of the cultivators in the district are free from debt. Hence if the average is taken over families in debt alone, the average indebtedness turns out to be Rs. 122 or Rs. 121, as given in his book. Mr. Jack's Settlement Report of the Bakarganj district also contains many interesting facts on this subject. The incidence of indebtedness is said to be lower than in Faridpur, but the corresponding figures have not been published.

78. **(b) By Mr. Ascoli.**—More abundant details are furnished by Mr. Ascoli in his Settlement Report for the district of Dacca. In one of the many appendices, he gives the number of families in debt in each thana, the amount of indebtedness and the highest rate of interest for Hindus, Muhammadans and others separately. On the basis of his figures, the average for each family (or homestead as the basis of his actual calculation) comes out to be Rs. 121, including both agriculturists and non-agriculturists. If, however, the average is taken over families in debt, numbering 185,869 in all, the figure becomes nearly Rs. 256.

79. **(c) By Mr. Sachse, Mr. Mumin and others.**—The figures for Dacca and Faridpur provide a basis for comparison with the figures for the contiguous district Mymensingh. The Settlement Officer, Mr. Sachse, does not publish any new figures for total indebtedness, but calculates the registered debts per capita for 1917-18 for Mymensingh, Midnapore, Dacca and Faridpur to be Rs. 2-6-6, Rs. 2-4-11, Rs. 3-6 and Re. 1-9, respectively, to get a rough idea about the burden of indebtedness in the various districts. The registration figures are sought to be utilised also in Mr. Mumin's Settlement Report for Jessore. He takes the average annual mortgages, as published in the annual statistical return of the Registration Department, and multiplies it, not by 12, the period of limitation, but by 10, for the reason that some mortgages are paid off before the full term. He adds to this

a second product, obtained by trebling the average annual value of simple bonds as supplied from the books of the Registration offices. The indebtedness per capita derived from this total of registered debts is Rs. 11-9-10, which is in surprisingly close correspondence with Rs. 12-2-10, the average determined by house-to-house inquiry in 58 villages for both registered and unregistered debts. He allows for the usual concealment of debts on the part of borrowers, by raising the figure to Rs. 15 per head or Rs. 2½ crores for the whole district. Unfortunately, he does not give the number of indebted families in the district nor the detailed figures of his village inquiries. It is therefore not possible to determine the average for the indebted families in the district.

80. In the course of his written memorandum to our Committee, Mr. T. C. Roy, District Officer, Nadia, estimates the aggregate outstanding secured debt as six times the total of the mortgage loans of the current year. His first estimate of unsecured debt is about 70 per cent. of the secured debt but as the resulting average indebtedness for the district becomes less than that for the members of the co-operative societies, he put down a second estimate for unsecured debts at a figure higher than the secured debt.

81. **(d) Baroda Report.**—A method somewhat similar in principle, although differing in details, was adopted in estimating agricultural indebtedness in Baroda in 1912. The amount of the outstanding registered debt was obtained by taking the sum for 12 years of the value of (a) mortgages with possession, (b) mortgages without possession, (c) money bonds over Rs. 1,000 (compulsorily registered) and (d) money bonds below Rs. 1,000 (voluntarily registered) and dividing the total by 2, on the assumption that half was paid and half remained outstanding. To this figure for secured debts was added (a) twice the same amount as representing unsecured debt and (b) the arrears due to the Government. Seventy-five per cent. of the sum was taken as agricultural debts and 25 per cent. as non-agricultural debts. It is thus clear that all the registration methods involve several assumptions, whose validity cannot be checked by available figures.

82. **Defects of previous methods.**—It will be noticed that in Baroda unregistered debt is taken as twice the registered debt, whereas Mr. Mumin thinks that unregistered debt is represented by the small difference between Rs. 11-9-10 and Rs. 12-2-10. Six years' figures are taken in Baroda, but ten years' figures by Mr. Mumin. Comparisons made with all Bengal figures, as done by Mr. Mumin, are not of much practical importance, seeing that very considerable loans, chiefly non-agricultural, are effected in Calcutta without registration by a mere deposit of title deeds. In any case, unless some method can be devised to distribute the total debt among agriculturists and non-agriculturists, no conclusions can be drawn with regard to the incidence of agricultural indebtedness from the registration figures.

83. **Registered debt.**—The only use which can be made of registration figures is to find out whether they provide a reliable index for the incidence of indebtedness, although they may not yield any estimate of indebtedness in different years. The first point to be considered is the volume of outstanding mortgage debts. It has been shown by Mr. Mumin that if ten years' figures are taken the average registered debt very closely approximates to average total debt, which

is contrary to experience. It is true that mortgages may remain outstanding for twelve years, but as soon as six years elapse, the personal liability is extinguished. Hence it is usual to take some steps towards realisation before six years are out. Besides this, the accrued interest mounts up at such a rapid rate that the margin between the value of the property and that of the debt becomes narrowed down within six years, requiring some measures on the part of the lender. It is common knowledge that some of the new registrations are renewals of old mortgages, hence in taking the figures for ten years, one mortgage debt may be counted twice over. Apart from these, there is the practical difficulty brought about by instability in prices during the last decade. It is not easy to say what proportion of the rise in the total mortgages in recent years is due to rising prices. Thus, from 1918 to 1919, the index number for raw jute prices rose from 75 to 115 and the aggregate registered mortgage from Rs. 8½ to 11½ crores. If an allowance is made for economic "lag" in certain years, there will be found a remarkably close correspondence between prices and registered mortgages. The relevant figures are reproduced in the following table for twelve years from 1917 to 1928:—

Year.	Aggregate value of mortgages registered in Bengal.	Index number of prices, end of July 1914=100.			
		Cereals.	Jute, raw.	Cotton manu- facture.	All commo- dities.
	Rs.				
1917 ..	9,71,96,805	92	65	203	145
1918 ..	8,29,04,882	110	75	298	178
1919 ..	11,76,53,130	163	115	295	196
1920 ..	14,99,42,104	154	104	325	201
1921 ..	18,10,82,437	145	83	280	178
1922 ..	18,27,31,014	137	110	239	176
1923 ..	14,83,61,044	114	90	221	172
1924 ..	14,77,51,694	123	102	229	173
1925 ..	17,13,05,258	136	154	210	159
1926 ..	14,90,20,380	140	120	173	148
1927 ..	15,42,81,493	139	93	159	148
1928 ..	16,40,68,901	133	100	159	145

From the above table, it is clear that figures for the last few years were affected by fluctuating prices to a less extent than in the years just following the Armistice. It is, therefore, reasonable to conclude that the total of the registered debt for the last six years represents the outstanding registered debt at the end of the period. In the following table the total registered debt and the registered debt per capita are given for each district, except Calcutta. In estimating the per capita figures, the population as given in the 1921 Census has been taken, for on account of changes in district boundaries from time to time, it is difficult to interpolate the population at the end of 1928 from the Census figures of 1881, 1891, 1901, 1911 and 1921.

Estimated value of registered mortgages outstanding at the end of 1923

(as derived from the figures of mortgage debt for six years ended 1928).

		Aggregate value in rupees (thousand).	Per capita. Rs.
BURDWAN DIVISION.			
Burdwan	..	2,46,75	17
Birbhum	..	1,32,82	16
Bankura	..	1,21,82	12
Midnapore	..	3,39,13	13
Hooghly	..	1,10,57	10
Howrah	..	1,32,55	13
PRESIDENCY DIVISION (excluding Calcutta).			
24-Parganas	..	6,32,73	24
Nadia	..	89,53	6
Murshidabad	..	1,13,05	9
Jessore	..	1,08,30	6
Khulna	..	2,73,16	19
RAJSHAHI DIVISION.			
Rajshahi	..	1,42,84	9
Dinajpur	..	1,92,36	11
Jalpaiguri	..	94,17	10
Rangpur	..	2,81,97	11
Bogra	..	2,53,88	24
Pabna	..	1,66,19	12
Malda	..	1,06,04	11
Darjeeling	..	27,42	10
DACCA DIVISION.			
Dacca	..	6,50,01	21
Mymensingh	..	8,55,08	18
Faridpur	..	2,17,21	9
Bakarganj	..	8,34,68	32
CHITTAGONG DIVISION.			
Chittagong	..	2,97,54	18
Noakhali	..	3,59,37	24
Tippera	..	5,43,39	20
All Bengal (excluding Calcutta)		73,22,56	16

84. **Allocation between agriculturists and non-agriculturists.**—In Bengal, on account of the Permanent Settlement, there is a considerable number of tenure-holders and proprietors interposed between the cultivator and the Government, who cannot be regarded as agriculturists. Strictly speaking, agriculturists should be defined as ordinary cultivators "who hold their land themselves and generally carry out the work of cultivation themselves," as has been done in the Bengal Census Report. In view of the large number of non-agriculturist intermediaries, it is difficult to determine what proportion of the registered

debt is borrowed by agriculturists and what proportion by non-agriculturists. As the economic condition of the two classes is not the same, the distribution cannot be on the basis of population.

In the course of his Settlement Report for Midnapore, Mr. A. K. Jameson, I.C.S., has pointed out that an upper limit to the per capita registered debt of agriculturists may be obtained on the assumption that the whole registered debt is incurred by agriculturists alone. A closer approximation to the correct figure may be obtained by assuming that both agriculturists and non-agriculturists borrow in proportion to their respective interest in land. It is difficult, however, to determine accurately the proportions of such interest. For, on account of the Permanent Settlement, the land revenue paid does not give any reliable estimate of the value of the estate. Similarly, the rents paid by tenure-holders and tenants are often customary. In view of these difficulties, the figures for registered debt calculated above can provide only some indirect information with regard to the volume and distribution of agricultural indebtedness in Bengal.

85. Inquiry among members of co-operative societies in 1919.—Although accurate information with regard to the incidence of indebtedness among the whole body of agriculturists in the province is not available, some details with regard to the members of co-operative societies can be obtained. It appears from Mr. Darling's "Punjab Peasant in Prosperity and Debt" that a survey of indebtedness among 4,000 members of co-operative societies was made in 1919 by the Registrar of Co-operative Societies, Bengal. The report is not available now, but an important result, viz., the average indebtedness per co-operator in Bengal at that time, is given in Mr. Darling's book to be Rs. 120. As each member generally represents one family, the same figure gives the average debt per co-operative family.

86. The method.—It is impossible to say now what method was followed for the investigation in 1919. Presumably, the method followed was that adopted by Mr. Darling for estimating indebtedness in the Punjab. Briefly the method is this. Whenever any member of a rural society requires a loan, he has to furnish a full statement of his indebtedness to village money-lenders and others. It is true that this is frequently an underestimate, but the error cannot be considerable in view of the fact that the debts of each member must be carefully checked by other members, who have in most cases full and accurate information, before he is allowed to borrow, for such members have unlimited liability and they cannot afford to take the risk of introducing borrowers, who may for all practical purposes be insolvents. Assuming that the returns submitted are substantially correct and adding to those figures the loans granted by rural co-operative societies as obtained from their books, the total debts of members can be found.

87. And the result.—This method has been adopted by us in the present inquiry also. The figures obtained and calculated are shown in the accompanying table. The average debt of co-operative families is Rs. 147, which is higher than that obtained in 1919, but there is evidence in the Settlement Reports that the incidence of indebtedness is increasing in rural areas. This has also been corroborated by several witnesses before our Committee. The figures arrived at by the present inquiry do not seem to be overestimated.

Statement of indebtedness of members of rural co-operative credit societies in Bengal.

Name of district.	Total number of members of rural co-operative societies.	Total amount of debts of such members outstanding on 30th June 1929 due to—		Total.	Average debt of members of rural co-operative societies.
		Rural co-operative societies.	Mahajans and other financiers.		
		Rs.	Rs.	Rs.	Rs.
BURDWAN DIVISION (EXCLUDING HOWRAH) ..	57,096	31,59,128	27,75,002	59,34,130	104
Burduwan (a) ..	15,821	9,79,128	10,11,019	19,90,147	126
Birbhum ..	20,739	10,11,308	10,40,456	20,51,764	99
Bankura (b) ..	147	6,200	4,510	10,710	73
Midnapore (c) ..	14,388	8,56,017	6,72,112	15,28,129	106
Hooghly ..	6,001	3,06,475	46,905	3,53,380	59
PRESIDENCY DIVISION (EXCLUDING CALCUTTA) ..	88,673	56,82,150	34,74,167	91,56,317	103
24 Parganas ..	16,072	7,62,786	6,46,855	14,09,641	88
Nadia ..	28,788	17,63,338	10,57,765	28,21,103	98
Murshidabad ..	13,504	8,88,237	5,12,506	15,00,743	111
Jessore ..	14,061	11,02,299	3,65,254	14,67,553	104
Khulna ..	16,248	11,65,490	7,91,787	19,57,277	120
RAJSHAH DIVISION ..	71,750	64,66,593	40,26,866	1,04,93,459	132
Rajshahi ..	14,489	11,77,926	6,78,085	18,56,011	128
Dinajpur ..	6,846	5,06,079	5,26,890	10,32,969	151
Jalpaiguri ..	2,377	1,34,155	1,61,681	2,95,836	124
Rangpur (d) ..	7,659	8,54,823	5,93,288	14,48,111	189
Bogra ..	12,203	11,34,323	8,97,472	20,31,795	167
Pabna (e) ..	18,640	17,17,390	8,24,473	25,41,863	136
Malda (f) ..	5,732	4,86,190	1,46,755	6,32,945	110
Darjeeling ..	3,804	4,55,707	1,98,222	6,53,929	172
DACCA DIVISION ..	102,626	1,14,28,878	89,85,221	2,04,14,099	199
Dacca ..	24,143	32,02,102	22,95,210	54,97,312	228
Mymensingh ..	39,783	50,03,173	50,11,199	1,00,14,372	252
Faridpur (g) ..	18,847	12,27,294	2,76,694	15,03,988	80
Bakarganj ..	19,853	19,96,309	14,02,118	33,98,427	171
CHITTAGONG DIVISION (EXCLUDING CHITTAGONG HILL TRACTS) ..	56,553	55,97,714	38,25,213	94,22,927	167
Chittagong ..	8,717	6,73,302	2,40,460	9,13,762	105
Noakhali ..	17,433	15,26,034	6,31,990	21,58,024	124
Tippera ..	30,403	33,98,378	29,52,763	63,51,141	209
Total ..	376,698	3,23,34,463	2,30,86,469	5,54,20,932	147

(a) Figures for Asansol Central Co-operative Bank, Ltd., were not available.

(b) Figures for Bankura Central Co-operative Bank, Ltd., were not available.

(c) Figures for Belbera, Ghatal, Midnapore and Kelar Bolorampore Central Co-operative Banks, Ltd., were not available.

(d) Figures for Kurigram Central Co-operative Bank, Ltd., were not available.

(e) Figures for Shahzadpur Central Co-operative Bank, Ltd., were not available.

(f) Figures for Nawabganj Central Co-operative Bank, Ltd., were not available.

(g) Figures for Goalundo Central Co-operative Bank, Ltd., were not available.

88. **Is generalisation possible?**—The problem now is to find out if these figures can be utilised to yield a proper estimate of agricultural indebtedness in the province. It is true that practically all the members of rural societies are agriculturists, but they form only a small proportion of the total agricultural population. The question naturally arises whether they form a fair sample of the whole body of agriculturists. At one end of the scale, there are people, who are so well off that they do not desire to incur the risk of unlimited liability by enlisting themselves as members. At the other end, there are persons, who are so poor that they are refused membership. It is therefore not unfair to assume that the co-operative population represent the median agricultural population. The average obtained for co-operators is, therefore, a reasonably accurate estimate of the average for the whole body of agriculturists.

89. **Comparison with figure for registered debt.**—Let us now consider if the figure obtained above for the registered debt per capita, viz., Rs. 16, bears out this contention. The amounts borrowed by members from rural societies are mostly against personal security, while the amount borrowed from outside are mostly against mortgages. For, as their liability to rural societies is unlimited, other lenders must have specific securities for their own loans. But, as explained above, outside debt is often somewhat underestimated, while a small percentage of the loan granted by rural societies is against mortgages, as a check against further borrowing by members. Even if allowance is made for these, it will be seen that the relative proportion between secured and unsecured debts of members of co-operative societies is not the same in each district, depending, as it does, on the spread of education and various other factors. Taking Bengal as a whole, if the figure Rs. 2,30,86,469 for outside debts is pulled up a little, and the figure Rs. 3,23,34,463 for inside debts is pushed down a bit, their relative proportion becomes, say 27:30 or 9:10. Hence it is not unreasonable to assume that the per capita unregistered debt is about Rs. 18, compared to the per capita registered debt of Rs. 16, the total coming up to Rs. 34. This has to be multiplied by the average number of persons in a family in order to arrive at the average indebtedness per family. It has already been stated that according to Mr. Jack, a typical family in Faridpur consists of five persons including children. From the more recent Settlement Report for the district of Bankura, it appears that the average strength of a family is 5·2. The village surveys undertaken by the Committee also point to the same figure. If it is assumed that each house in Bengal villages was occupied by one family, an all-Bengal figure may be arrived at. In rural areas in Bengal there were, according to the 1921 Census, 8,461,335 occupied houses and 43,509,236 persons, yielding an average of 5·1 persons per family. Hence the average debt of rural families is Rs. 34 multiplied by 5·1 or about Rs. 175, including both agriculturists and non-agriculturists.

90. **Estimate of agricultural indebtedness.**—The question now arises whether this figure affords any clue to the average debt of agricultural families. It is common knowledge that although agriculturists are more *heavily* indebted than non-agriculturists, they are less *highly* indebted. In other words, the average debt for agriculturists is lower than that for non-agriculturists. It follows, therefore, that the average debt of agricultural families in Bengal should be below Rs. 175, but not very much below it, in view of the fact that agriculturists form

the predominant bulk of the rural population. Again, as outside debts are somewhat underestimated, as explained above, the correct average debt for agriculturists must be a little higher than Rs. 147, as obtained above. In the absence of any definite information, it is not unreasonable to assume that the average debt of agricultural families in Bengal lies midway between these upper and lower limits, and may therefore be put down as Rs. 160, which is about 9 per cent. in excess of Rs. 147. A further justification for this assumption is afforded by the figures arrived at from intensive village inquiries. For instance, the average debt per agriculturist family in Bogra district has been estimated above at Rs. 167, on the basis of figures from co-operative societies. The corresponding figure for a fairly typical village like Karimpur is nearly Rs. 178, which is about 7 per cent. in excess of Rs. 167. One may, therefore, reasonably conclude that the average debt per agriculturist family is Rs. 160. The per capita debt of agriculturists reduces to Rs. 31, approximately, yielding a total debt of (29.9 millions \times Rs. 31) or 93 crores of rupees for agriculturists as a whole, as defined above. In this, some temporary loans, e.g., paddy loans incurred in kind, have had to be necessarily omitted. To quote Karimpur figures again, the total outstanding loan was Rs. 9,132, and the paddy loan in kind was 159 maunds at Rs. 3-8 a maund on an average, i.e., valued at Rs. 557, which amounts to about 6 per cent. of the total outstanding loan. Mr. Jack estimated this proportion at 5 per cent. for Faridpur. Assuming a similar percentage for the whole of Bengal, **the total agricultural debt becomes roughly Rs. 100 crores.**

91. **Paddy loans.**—Although temporary and permanent loans are lumped together in the above estimate, it will be convenient to treat them separately. One important class of temporary loan is incurred in kind (paddy in Bengal) generally during the last month of the Bengali year, when the stock of paddy is nearly exhausted and there is extreme pinch of necessity for food (and in rare cases for seed also). But the transaction in quite a large number of cases is represented as a money loan.

92. **Their terms.**—It appears from inquiries made in the district of Bogra where this system of loans is widely prevalent that the usual practice is for the lender to take from the borrower a bond of $1\frac{1}{2}$ times or double the market price of paddy advanced, carrying an interest of $37\frac{1}{2}$ per cent. per annum. The implied understanding is that if the borrower pays in cash the sum entered in the bond at the time of the next harvest, no interest will be charged. If, however, there is a default, the interest mentioned has to be paid. The rate of interest varies in different parts of the district and is sometimes as high as 80 per cent., leaving out the amount added to the principal, at the time of granting the loan. One peculiar practice to be found only in a few areas is to exact one maund of jute at the time of the harvest in exchange for one maund of paddy lent during the lean months. These are, however, dying out as jute is becoming relatively more costly than paddy in recent years. Another method of contracting short loans is by means of *satta patras*, i.e., undertakings to deliver fixed quantities of produce at much below the market price in consideration of a loan granted during lean months. Such loans are still prevalent in the districts of Mymensingh, Rangpur and Rajshahi. It appears from a document printed in Appendix IX, which was tendered as evidence in S. C. C. Suit No. 705 of 1928 in the district

of Mymensingh, that a loan of Rs. 30 was granted on 2nd Jaistha 1334 B. S. requiring repayment by 1st Magh of the same year (i.e., eight months later) by means of 30 maunds of paddy, having a market value of not less than Rs. 90. Apart from the necessity for food and seeds, which makes borrowing on such unfair terms possible, the agriculturist has frequently to borrow for the hire of labourers during the cultivation season, specially for jute, which requires careful and repeated weeding. In fact the *dadan* or advance system in the case of jute is required as much by the necessity of the *bepari* to procure a sufficient quantity of jute, as by the cultivator for weeding and washing the fibre.

93. **Temporary loans lead to permanent debts.**—It is true that these loans incurred for various purposes by diverse methods at different seasons of the year are all short loans, but they nevertheless make a heavy inroad into the income of the agriculturist. The shortness of the period for which the loan is incurred, does not obviate the necessity of paying high rates of interest and high premia on the principal amount borrowed. So much so that a portion of it frequently remains outstanding, especially after a bad season, and has to be added to the permanent debt.

94. **Examination of causes of indebtedness—(a) Litigation.**—This is by no means the only cause of permanent indebtedness. Nor are the causes so simple as is usually imagined. "Only the absolute improvidence of the people and their fondness for litigation," writes an experienced Settlement Officer in Bengal, "can account for the great majority (of agriculturists) not being out of debt." Extravagance and litigious habits of the agriculturists" said a witness before our Committee, "are primarily responsible for their indebtedness." To take the second reason first, it is difficult to substantiate the charge that the Bengal agriculturist is really litigious. If the total number of civil suits instituted in Bengal during any one year is analysed, it will be apparent that the number is unduly swelled by rent-suits, for which the agricultural tenants are not responsible. For instance, during 1927, out of a total of 646,831, rent-suits accounted for 331,467 or 51·5 per cent. The suits for money during the year were much lower in comparison with the other Presidencies. The number of money-suits per 1,000 of population in Bengal, Madras and Bombay were 5·40, 10·14 and 9·56, respectively. From a detailed analysis of suits, instituted in the several subdivisions of Jessore during the period 1917 to 1921, and quoted in his Settlement Report for the district, Mr. Mumin comes to the conclusion that only about 4 per cent. of the population is engaged in litigation of all kinds.

95. **(b) Social ceremonies.**—The charge of improvidence against the agriculturist is substantially correct, but not in the conventional sense of extravagance in social ceremonies alone, which accounts for a small portion of the debt incurred by him. The remarks of the Deccan Riots Commission, 1875, on this point will bear repetition:—

".....undue importance has been given to the expenditure on marriage and other festivals.....the occasions occur seldom, and probably in a course of years the total sum spent in this way by any raiyat is not larger than a man in his position is justified in spending on social and domestic pleasures. The expenditure forms an item of some importance in the debit side of his account, but it rarely appears as the nucleus of his indebtedness."

96. It is true that Mr. Burrows, who carried out a detailed economic survey of the village Talma in the Faridpur district at the instance of the Agricultural Commission, states that about 57 per cent. of the debt was incurred for marriages, but he qualifies this statement with the remark that there is often second or third *nika*. Such circumstances are however not common in other places in Bengal. In any case, the different figures for debts published by him, viz., total outstanding debt, the per capita debt for the whole population, the per capita debt for borrowers alone, etc., do not agree with one another.

97. The intensive village inquiries carried out by the Committee show that quite small debts are incurred for social ceremonies. To give only one instance, in the village Karimpur in the Bogra district, there were 52 agriculturist families having a total debt of Rs. 9,132 in cash and 159 maunds of paddy in kind. The latter was incurred wholly for food. The various purposes for the former could not be ascertained, but the purposes for which loans were incurred during one year (1335 B.S., i.e., 1928-29) were stated to be as follows:—

	Rs.
For repayment of old debts	389
For capital and permanent improvements including purchase of cattle.	1,087
For land revenue and rent	573
For cultivation	435
For social and religious ceremonies	150
For litigation	15
For other purposes	66
Total ..	<u>2,715</u>

While the figures cannot be taken as representative for the whole of Bengal, they nevertheless tend to show that litigation and social and religious ceremonies make but small contributions to the total indebtedness. At the same time the figures clearly show that the agriculturist is obliged to incur a considerable loan for current expenses, e.g., for cultivation or rent or even for food, showing that he has no capital of his own on which he can depend. Another disquieting feature is that his debt is not agricultural capital in the proper sense of the term, the capital invested in his stock in trade being only Rs. 1,087 in the above table. It is clear therefore that the agriculturist is as a rule improvident, although the reasons have to be looked for elsewhere than in litigation and festivals.

98. (c) **Poverty.**—Paradoxical as it may seem, the real cause for improvidence is poverty. It has been seen in Chapter II that very little surplus is left to the Bengal agriculturist after meeting his bare necessities, so much so that it is difficult to provide even for the necessary depreciation on all his capital, not to speak of specially unfavourable circumstances, such as fires, floods, epidemics among men or cattle, absence of seasonal rainfall and unusually low prices of jute, whether on account of over-production or falling-off of demand. In fact, the conditions are so uncertain that the agriculturist is often compelled to discount his future income on any terms to relieve present necessity.

99. It cannot be disputed that if an agriculturist is in extreme indigence, he has no assets worth the name against which he can

obtain loans. Thus grinding poverty can never be a cause of indebtedness. But it must also be conceded that there is a kind of poverty, which, while not amounting to insolvency, nevertheless makes for precarious and uncertain living. It is this latter class of poverty, which is the real cause of indebtedness among agriculturists in Bengal.

100. (d) Expansion of credit.—It will be however going too far, as has been done in some Settlement Reports, to ascribe the undoubted increase in the volume of indebtedness in recent years to the expansion of credit of the agriculturist consequent on high prices. For, the rise in prices since the outbreak of the War, which reached its maximum in 1920, is more apparent than real, and has affected Bengal agriculturists adversely. From the table of index number of prices quoted earlier in this Chapter, it may be seen that the indices for cereals and jute were both lower than the all commodities index and very much lower than the index number for cotton manufactures throughout. In other words, the prices of agricultural commodities rose proportionately much less than others, with the result that even with the increased number of rupees in his hands the Bengal raiyat could purchase less of commodities than before. In fact in an interesting diagram in the "Capital" for 15th August 1929, it has been clearly shown that he got less real value for jute throughout the post-War period than in 1913, when allowance is made for the variation in the purchasing power of money. Much is made of the tin-roofs which have replaced thatching grass in some villages. But, as Mr. Sachse has rightly pointed out in his Settlement Report for the district of Mymensingh, where "cultivation has almost reached its full limits, the use of tin instead of thatching grass is really an economy." The tin lamps, umbrellas, the crockery, which were unknown to his grandfather, but are now bought by the Bengal agriculturist, are all of the most tawdry and cheap manufacture. That his purchasing power has not improved is amply borne out by the present trade depression.

101. (e) High rate of interest.—Closely connected with the poverty of agriculturists is the high rate of interest they are called upon to pay. While this fact is agreed upon by all, there are two different interpretations. One is that the mahajan is obliged to lend against the security of precarious assets, so much so that he is obliged to add the risk of non-realisation to the normal return on capital. It has even been suggested that the agriculturist insures himself and his family by taking a loan, for the village money-lender must be prepared to throw away good money even after a bad debt, when he has the remotest hope of realisation, and must therefore pay further doles to his borrower. On the other hand, it has been urged that the mahajan has no conscience and charges what the raiyat will bear. While the latter condition may still hold good in remote places, where there is no competition due to the operation of outside agencies, such as loan offices and co-operative societies, it cannot be disputed that the conditions of borrowing are improving. According to the Census Report for 1921, the business of money-lending increased considerably during the previous decade, but there are signs that the progress has been somewhat checked in recent years. In any case, whether there is competition among money-lenders themselves or with outside agencies, the effect is the same, viz., that the agriculturist is not in the same helpless position as before. The above analysis tends to show that the present high rate is not merely the cause of indebtedness; it is also its effect.

102. **Effect of indebtedness—(a) Conditions of borrowing.**—The effect of indebtedness may be best studied from three different points of view, viz., conditions of borrowing, purposes for which loans are incurred and the sources of loans. It has been pointed out above that agriculturists are compelled to incur paddy loans only from a pinch of necessity, and the terms are very onerous. In fact, even if there is no legal pledge of the crops sown against short loans, the lender generally sends a man round at the time of the harvest and takes away his share of the crop. Even for loans in cash, the conditions still remain unfavourable to the agriculturist. His illiteracy and ignorance of business methods are sometimes exploited by the lender. High premia at the time of granting the loan and other malpractices are not also entirely unknown. The rates of interest charged are in some cases purely customary. From the table of interest rates charged by a money-lending firm in the district of Bogra, printed in Appendix VI (6), it may be seen that the rates have remained fairly uniform during the last three decades, in spite of varying economic conditions.

103. In any case, the conditions of borrowing are such that a big share of the income of agriculturists is eaten up by interest and other charges, making repayment of loans very difficult. Debts are often repaid by further loans. As has been well said, "the cultivator is born in debt, increases his debt throughout his life and dies more hopelessly in debt than ever."

104. **(b) Purposes of loans.**—One peculiar feature of agricultural indebtedness is that it is in most cases a mark of distress, whereas in the case of other industries, borrowed finance is a normal feature. As the loans are mostly for unproductive purposes, the pressure of indebtedness falls very heavily on the raiyat. Leaving out his floating loans, even the funded loans are not wholly for agricultural improvement. A high debt does not necessarily imply substantial assets leading to increased productivity. Therein lies the tragedy of agricultural indebtedness. Even if the interest rate is high, the borrower is benefited, if the extra income derived from the loan is greater than the interest payable. If the debt had been, as it should be, only another phase of credit, the problem of indebtedness would have been very easy of solution.

105. **(c) Sources of loans.**—Another equally disquieting feature of agricultural indebtedness is that there is not much loaning among agriculturists themselves. The following analysis of the outstanding debt of Karimpur will make this clear:—

Lender.			Amount.	Maximum rate of interest per annum.	Minimum rate of interest per annum.
			Rs.	Per cent.	Per cent.
Village mahajan	..	..	7,308	37½ (compound)	25 (simple)
Co-operative societies	..	..	650	15½ (simple)	15½ (")
Loan office	..	..	382	37½ (")	37½ (")
Other creditors	..	..	792	25 (")	Nil
Total			9,132	37½ (compound)	Nil

The bulk of other creditors are agriculturists who sometimes lend among their relatives and friends without any interest. There is not a single cultivator in the village, who received any loan from the Government either under the Land Improvement Loans Act or under the Agriculturists' Loans Act. In the vast majority of cases of agricultural loans in Bengal, the lenders are non-agriculturists, so that a portion of the agricultural income is gradually passing into their hands, depleting further the already scanty stock of agricultural capital. In some cases, the lender acquires the land, reducing the borrower to the status of an under-raiyat or of a bargadar who has to pay more as rent. The inevitable result is agricultural decline, for the cultivator naturally loses all interest in his work when the fruits of his toil are shared by others. The effective solution of agricultural indebtedness consists not only in relieving the present burden, but also in augmenting agricultural capital. How far the short-term requirements are met at present and how the existing facilities may be improved upon, are discussed in the next chapter, while the long-term needs and their solution are dealt with in Chapter VI.

CHAPTER V.

Short-term and Intermediate Agricultural Credit.

106. Necessity for financing agriculture.—In agriculture the producer must wait for a period which is well known before he can expect the turnover on his outlay. There are always definite intervals between cultivation, sowing and harvest. It is therefore necessary for him to live on a system of credit to meet the expenses of cultivation and maintenance of his family until he can market his produce, unless he is in possession of sufficient capital. Unfortunately he is seldom in affluence and he must borrow. This is the case not only in India, but in almost every country in the world.

107. Requirements which need financing.—In this chapter we have dealt with those credit requirements of the Bengal agriculturist which are seasonal and intermediate in character. We have assumed that he has the necessary lands by inheritance or has already obtained the necessary capital or credit to be in command of land. He now needs his cattle and implements of cultivation, must obtain his seeds and manure and has, in addition, to hire labour for the production of the crops, if necessary, and secure the means to pay his rent, cesses, rates and taxes and the household expenses. If his land is irrigated by a Government canal he has to meet the water rates as well.

108. Dependence on rainfall.—Except in the few irrigated areas, the agriculturist has to depend upon seasonal rainfall for the production of the crops. With the best of his skill and energy, he is still dependent upon timely rainfall all throughout the cycle of production. He is subject to exceptional risks from insufficient or irregular rainfall, floods, cyclones and hailstorms. The Bengal agriculturist has to be a fatalist, for, however capable and industrious he may be, a shower of rain in time or its absence may make him or mar him for the rest of the year. The selection of crops depends on the nature and the capacity of the soil and on the rainfall, but while the former are well known and proved by the experience of centuries, rainfall is always uncertain although its general distribution is fairly well known.

109. General distribution of rainfall.—The dry cold weather in Bengal is generally followed by a break of about two months of scanty, uncertain and occasional rainfall. In the early spring months the sea-winds bring in clouds which are precipitated chiefly in the form of storms in March and April known as norwesters. It is at the beginning of this season that hailstorms are most frequent. In western and central Bengal two or three such storms generally occur in March. In eastern and northern Bengal showers are frequent in March. In April and May the rainfall is pretty general. The spring rains are, however, heavier along the coast line and on the eastern margin of the Gangetic delta. Following a fortnight or three weeks of hot dry weather, the monsoon breaks by the second or third week of June. The rainfall is heavier near the northern and eastern hills. The quantity of rainfall diminishes *ceteris paribus* with the distance from the coast line, but increases rapidly on approaching the hill ranges. From June to September the rainfall is fairly steady, but in the closing periods of the monsoon there are often cyclones and heavy storms.

110. General system of agriculture.—The land is ploughed immediately after the first rains in spring for the cultivation of the autumn paddy (aus) and jute and is sown with these crops in the beginning of April. The harvesting commences in August and finishes by September. The winter paddy (aman) is sown in seed beds in May and June and transplanted in July and August. This crop is harvested in December. The pulses and other food crops and the oil seeds (often grown on the same field as aus or jute) are sown in September and reaped in March. The intervals between sowing and reaping is about 6 months in the case of aus and jute, 8 months for aman and 5 months for rabi crops.

111. Agricultural implements.—The first credit requirements of a Bengali agriculturist are for purchase of agricultural implements and of a pair of cattle. His implements, though of primitive construction, are well suited to the conditions of the alluvial soil and the capacity of his cattle. The nature of the soil does not ordinarily require deep ploughing and in some cases deep ploughing is dangerous as it may turn over inferior subsoil, sand or kankar. The Bengal cattle, through decades of under-feeding and want of pasture lands and suitable nourishing fodder crops, cannot stand the strain of the heavy plough. In stiff clay soil, deep ploughing causes the slice of earth turned over rapidly to bake in the sun and it becomes too hard to be easily broken. The indigenous light plough may necessitate frequenter tilling but that only makes for a fine tilth which retains the subsoil moisture while absorbing rain water. For this reason, and also because the farmer cannot afford higher prices, there is not much scope for improved implements in Bengal. The essential equipment of a cultivating raiyat are a plough, a harrow, a ladder (clod-breaker), a sickle and a weeder, and are priced as follows:—

		Rs.	A.		Rs.	A.
One plough	4 6	to	7 4	
One harrow	3 4	„	4 6	
One ladder	0 6	„	0 8	
One sickle	0 8	„	0 10	
One wedder	0 6	„	0 8	
			<hr/>		<hr/>	
Total	8 14	„	13 4	
			<hr/>		<hr/>	

The ploughshare requires to be weekly tempered, during use, by the village blacksmith who charges about $1\frac{1}{2}$ pies to 3 pies for every occasion. This requires an annual expense of 4 to 8 annas. The wooden parts of the plough have also to be changed after six months involving an extra 6 to 10 annas. Including ropes, baskets, etc., the annual charges of maintenance and repairs come to about Re. 1 to Re. 1-8 and the outlay on agricultural implements may be Rs. 10 to Rs. 11 or Rs. 10-8. They last about four years on an average, hence we have estimated the annual cost as Rs. 2-10 and Re. 1 for maintenance.

112. Cattle.—A pair of bullocks ready for the plough cannot be purchased for less than Rs. 60 and they can give service for only

about five years and we have therefore taken Rs. 12 as the average annual charge for bullocks. As a rule, the cultivator feeds them on paddy straw grown in his own farm and on grass cut by himself during the rains. We have not therefore taken into our account any cost of the feed of the cattle.

113. **Seed.**—The Bengal cultivator almost always buys his paddy seed or borrows it from a mahajan. This seed has to be specially grown, matured and preserved and not many cultivators engage in this business. A maund of seed is required for an acre of land costing about Rs. 3. Jute seed is invariably purchased, and three seers are used per acre. The price now ranges from Rs. 40 to Rs. 45 a maund for seeds selected and tested by the Agricultural Department. In Chapter II we have estimated that the average cultivator's holding consists of 5·21 acres in all, or excluding fallow and waste, 3·95 acres. Taking the proportion of doubly cropped area to the net cropped area of the whole province we find that about ·8 acre in an average holding bears a second crop. Again, taking the proportions of the areas under different crops to the total cropped area for the whole province, the cultivated area of 4·75 acres in an average holding will bear paddy in 3·5 acres, jute in ·45 acre and other crops (say rabi crops) in ·8 acre. The cost of the seed will therefore be as follows:—

	Rs. A.
Paddy at 1 maund per acre for 3·5 acres at Rs 3 per maund	10 8
Jute at 3 seers per acre for ·45 acre at Rs. 45 per maund	1 8
Other crops for ·8 acre may be taken at ..	1 0
Total ..	13 0

114. **Manure.**—Very little manure is ordinarily employed, except the dung of cattle. The silt from the floors of tanks and marshes is also used. Green manuring is not unknown, and leguminous plants are sometimes grown and ploughed in. The stumps of the paddy straw left on the field are set fire to and the ashes are ploughed in. For manuring valuable crops like tobacco, vegetables or sugar-cane, the cultivator uses oilseed cake, which he has to buy. We have not however estimated anything for the cost of manure.

115. **Hired labour.**—Much of the field labour is provided by the cultivator and his family. But it often happens that a certain agricultural operation has to be completed within a limited time to take the fullest advantage of the atmospheric conditions; for instance, a field must be ploughed before it dries hard, sown just when the rain is threatening, weeded before a shower of rain turns it to a mire and harvested before the rain beats down the heavy ears. Thus, he has often to hire labour for ploughing and sowing, and he invariably has to hire some labour for weeding and reaping. In some

cases the cultivators mutually assist each other without any wages, but in most cases the agricultural labourer has to be hired. When the holding is large and the family small, the proportion of hired labour is necessarily greater. Inquiries were made to ascertain the cost of cultivation excluding labour of the cultivator and his family in the districts of Birbhum, Nadia, Bogra, Tippera and Mymensingh during our intensive enquiry. The minimum cost of labour, according to these enquiries, ranges from Rs. 16 to Rs. 25 per acre for paddy and Rs. 25 to Rs. 40 for jute. We consider these figures to be rather high. The actual cost of labour per acre including the labour of the cultivator and his family is given by the Director of Agriculture as Rs. 50 per acre for jute, Rs. 27 for paddy and Rs. 19 for rabi crops. In an average holding, we estimate that Rs. 20 has to be expended for hire of labour for each acre of jute and Rs. 9 for paddy. For the winter crops (rabi) no hired labour is ordinarily employed. The cost of hiring labour in an average holding will be as follows:—

			Rs. A.
3·5 acres paddy at Rs. 9 per acre	..	..	31 8
·45 acre jute at Rs. 20 per acre	..	..	9 0
			<hr/>
Total	..	..	40 8
			<hr/>

116. **Rent, cesses and rates.**—The average rent of agricultural land has been found in Chapter II as Rs. 4·13 per acre. The average rent of a holding of 5·2 acres is Rs. 25. The cesses at half anna per rupee will be 12 annas. There is ordinarily a *tahuri* or commission paid to the landlord's agent and this at 1 anna per rupee will be Re. 1·9. The total amount of union rates realised is Rs. 42,50,273 from the Union Board population of 19,856,117. This works at Re. 1·1 for a family of five persons. The *chaukidari* tax closely approximates the union rate. The rates and taxes payable by an average agriculturist may thus be taken to be Re. 1·1.

117. **Food.**—We now proceed to estimate the living expenses of an agricultural family. The breakfast is of cooked rice soaked in water overnight and eaten with salt or gur. The dinner consists of rice, dal and curry with vegetables. The supper is a repetition of the same courses as comprise the dinner, but often in smaller quantities. Fish is eaten sparingly in the dry districts but is more common in the neighbourhood of rivers and *bils* where it is cheaper or easily caught. Meat is not ordinarily eaten by any class, Hindus or Mussulmans, and is seldom purchased. But where caste restrictions are not rigorous, the flesh of goat, or poultry reared in the farm or eggs are sometimes eaten. Beef is eaten by Mussulmans and pork is taken by the lowest Hindu castes, but very little is spent by the ordinary cultivators in the purchase of these meats. We have not therefore taken any account of the cost of meat in our estimate. Milk also is hardly ever purchased. The scanty production of the farm cows is given to the children and the surplus, if any, is sold. In his Settlement Report of Jessore, Mr. Mumin has made a detailed estimate of the cost of food of an average agriculturist.

family of five amounting to Rs. 197-10. An estimate can also be made on the basis of the rations given to the labouring prisoners according to the rules of the Bengal Jail Code. The food required for four such prisoners should be equivalent to that of 5.15 members of an average family. We give the details of these two estimates below :—

Item.	Mr. Mumin's estimate.		Estimate according to jail rations.	
	Rs. A.		Rs. A.	
Rice	147	2	123	0
Salt	3	8	3	8
Dal, fish and vegetables ..	24	0	48	4
Spices	5	0	2	11
Oil	12	0	21	6
Gur	6	0	3	14
Antiscorbutics .. ..	..	..	1	0
Total ..		197 10	203	1

Mr. Mumin's estimate is for a very poor and not an average family. Our experience is that the average agriculturist at home consumes more spices, sugar and other articles of diet than provided in jails. We do not think that if we raise the jail estimate by 10 per cent. we shall be far out. Our estimate for the food of a family is Rs. 225.

118. Clothing.—The cost of clothing required for an average family is estimated at Rs. 7 per head or Rs. 35 per annum. This will provide for three dhuties, three small dhuties, three vests or coats, three gamchas or towels and one thick chadder for each of the two men, four saris and two gamchas for the woman and four small dhuties, a coat and one thick chadder for each of the two children.

119. Miscellaneous expenses.—Tobacco, betel leaves and betel-nuts are universally used. We estimate the cost of tobacco to be a pice a day and the betel leaves and nuts at two and a half pice per week, the total cost coming to Rs. 7-12 a year. Lighting oil (kerosene) and matches at a pice a day will cost Rs. 5-12. The repairs and renewals of the house, furniture and utensils have been estimated to cost Rs. 12. The social ceremonies at birth, marriage and death and the religious ceremonies, which are all imperative, may be taken to cost Rs. 15. The miscellaneous expenses such as may be required for medicines, education of children, amusements, litigation and entertainment of relations and other guests, will cost Rs. 22 more.

120. Average expenditure per family.—The total annual expenditure of an average agricultural family of 5·15 persons cultivating a farm of 5·21 acres is estimated as follows:—

Cost of cultivation—

	Rs.	A.
Implements	3	10
Cattle	12	0
Seed	13	0
Manure	0	0
Labour	40	8
Total	69	2

Rents, cesses and rates—

	Rs.	A.
Rent	25	0
Cesses	0	12
Commission	1	9
Rates	1	1
Total	28	6

Food	225	0
Clothing	35	0

Miscellaneous--

	Rs.	A.
Lighting	5	12
Tobacco and betel	7	12
Repairs and renewals	12	0
Social and religious ceremonies	15	0
Miscellaneous including education, amusements, entertainment of relations or visitors	22	0
Total	62	8
GRAND TOTAL	420	0

121. Annual credit requirement of an average agriculturist family.
—The bulk of the requirements of rice costing Rs. 150 a year has not to be purchased. We may assume that only Rs. 50 is spent on

purchasing rice. The cash requirement of the family would therefore be Rs. 100 less than total expenditure. This requirement of Rs. 320 has to be met from the sale of the produce and from loans, but as the processes of agriculture are spread over the whole year, we have assumed that one half of this (Rs. 160) has to be borrowed as short-term or intermediate loan, to be repaid after the next harvest or at the latest within five years. THE TOTAL REQUIREMENT FOR THE SHORT AND INTERMEDIATE LOANS FOR THE SIX MILLION AGRICULTURIST FAMILIES WE ESTIMATE AT Rs. 96 CRORES.

122. Credit facilities now existing.—These loans are now supplied by the co-operative societies (Rs. 4 crores), loan offices (say about Rs. 2 crores) and the village money-lenders, professional as well as casual. None of the organised banking institutions assists the agriculturists directly. The Imperial Bank does so to a very small extent through the co-operative societies. The part played by the Government has been described in Chapter III. The methods of indigenous bankers and money-lenders and their rates of interest and other conditions are described in Chapters XIII and XIV. The co-operative societies and their methods are more fully explained in Chapter XI and the loan offices in Chapter XIV-A. These need not be recapitulated here.

123. Suggestions for improving existing credit facilities.—The suggestions that we have to make for improving the existing credit facilities have been discussed in the chapters where those facilities have been described. We have suggested in Chapter XI that the existing resources of the rural co-operative societies should be restricted to short and intermediate loans only, and that the long-term loans should be financed in the way described in the next chapter. The average amount of loan given by the rural societies is less than Rs. 100, and if no long-term loans are granted by them, the present capital of these societies will probably allow them to finance the agriculturists to the full extent of their requirement (Rs. 160).

124. Suggestions for providing further facilities.—The only suggestion we can offer for providing further facilities, is to recommend wide extension of the co-operative movement, for no agency is more beneficial to agricultural credit than these societies. But they are now financed chiefly by the deposits in the Provincial Bank, the central banks and the rural societies. These represent the savings of the middle and the poorer classes and it is doubtful whether these savings can reach the total amount of 96 crores needed for agricultural finance. Rural societies can be multiplied, but the question remains whether the resources of the central banks can be increased in the same proportion. Of course, the more the societies increase in number, the more are the capitals of the money-lenders released, and they will be driven to some extent to invest them in banks. The banks can in turn finance rural societies. Thus the extension of the co-operative movement is not an utterly impossible solution of the problem.

125. Effect of borrowing on disposal of produce.—The effect of borrowing on the disposal of produce is always detrimental. The borrower, whether he has taken a *dadān* or not, is virtually bound to sell his produce to the creditor. This is almost always an express or a tacit condition of a loan when the creditor is a trader. The price at which the creditor buys is also less than the market price. The producer thus loses not only by the low selling rate but also by the heavy interest. Even

when the creditor is not a trader and does not want to buy the produce, the pressure he puts on the debtor immediately after the harvest is very heavy, for he knows that if the debtor does not pay after selling his produce, it will not be possible for him to pay till after the next harvest. The effect of this pressure is so great that the borrower is compelled to dispose of his harvest as quickly as he can. Thus he sells in the majority of instances to the faria or bepari who comes to his house and cannot wait to take the produce to the market. The rate given by the faria is generally low and as almost every grower is equally pressed for cash and has to sell at the same time, the price comes down further by competition. In this way, even when the creditor is not a trader, the grower, if he is in debt, has to dispose of his produce at a lower price.

126. **Co-ordination of credit agencies.**—Co-ordination of the different credit agencies which finance agriculturists is not possible. We can make no suggestion for co-ordinating the money-lenders with one another, or with any other credit agency, nor for combining the resources of the loan offices with those of the co-operative societies.

CHAPTER VI.

Long-term Agricultural Credit.

127. Classification of agricultural credit.—The agricultural credit facilities discussed in the last chapter are all for a temporary period, generally till the next harvest, or, if there is a failure of crops, till the harvest following the next, after which the agriculturist is, or should be, in a position to repay his debt. Besides this, he requires another type of loan, which he can hope to repay only after a considerable time out of the surplus obtained as the result of the improvements effected with the help of the loan. The distinction between these two types of loans, and another midway between the two, is reported to be spreading gradually in rural areas in Bengal according to the latest annual report of the Registrar of Co-operative Societies. In his general circular orders, however, the intermediate loan has not been defined at all, while short-term and long-term loans have been defined according to the purpose they are intended to serve. This omission to show intermediate loans separately has created difficulties in the definition of the other two types of loans. For instance, in Circular No. 8 of 1923, loans for minor improvements of land are stated to be long-term, whereas according to Circular No. 5 of 1926, they are regarded as short-term. There is another difficulty in analysing loans according to their purpose. For instance, if a small amount is borrowed to meet a small deficit incurred, say, in sinking a well, which can be, and will be, repaid at the time of the next harvest, that loan should not be regarded as long-term merely because it was granted for agricultural improvement. It will be better therefore to classify credit requirements of agriculturists into short-term, intermediate and long-term according to the *period* rather than according to the *purpose*. In some foreign countries, however, credit is classified in terms of the security against which it is granted. For instance, in Europe, short-term credit generally means credit against personal security and long-term credit signifies credit against land mortgage. But in the U. S. A. (and also in Canada, except only in legal documents, in which the European meaning persists), short-term credit stands for ordinary banking credit from 3 to 6 months, in any case not exceeding one year, while intermediate credit is for a period varying from 6 months to 5 years, and long-term credit for periods of 5 years and over. In Egypt also, approximately the same classification is followed. For instance, as reported by Mr. Strickland, what are called "A" loans of the Agricultural Bank are granted for a period not exceeding 15 months, whereas the "B" loans can be granted for a period extending up to 5½ years. Following the American definition given above, it may be said that the problems of short-term and intermediate credit have been discussed in the last chapter, leaving only the long-term credit for the present chapter.

128. First pre-requisite for agricultural improvement—repayment of old debts.—It will be convenient to describe the scope of long-term credit before the method—the object before the mechanism designed to serve it. As already stated, the purpose of a long-term loan is lasting agricultural improvement, but for this there is an essential

pre-requisite—the reduction of the heavy burden of accumulated debts, carrying a high rate of interest and often incurred for unproductive purposes. So long as this remains, there will be very little surplus for the payment of interest and sinking fund charges on additional long-term loans incurred for the purpose of improvements. The agriculturist will lose all incentive for progress, if he feels that he is not working for his own benefit but for the benefit of others. Apart from this, there is a practical necessity. These loans for agricultural improvement will have to be made mostly against land mortgages. If the previous debts, specially mortgage debts are not cleared off, it will be difficult to raise fresh loans against the security of land.

129. Estimate of long-term debt.—The estimate of total outstanding agricultural debt made in Chapter IV is 100 crores of rupees. A portion of this is paddy loan, incurred in kind, leaving a total money debt of about 93 crores, which may be separated into a secured debt of 44 crores and an unsecured debt of 49 crores. While practically the whole of the mortgage debt of 44 crores is long-term, it will be a mistake to regard the whole of the unsecured debt as short-term in accordance with the European definition quoted above. For in Bengal even personal credit is sometimes granted for a long period, provided the borrower has sufficient assets. As is well known, the village money-lender does not demand repayment, so long as his debtor pays interest regularly and does not approach bankruptcy. Cases are not rare when simple promissory notes are exchanged for new notes for the entire outstanding amount, including the principal and interest due, in order to prevent the operation of the law of limitation. In fact, the distinction between personal and real credit is largely artificial, for personal credit must necessarily be a reflex of real credit. It follows therefore that a portion of the unsecured debt of 49 crores is for long-term and must be added to 44 crores in order to arrive at the total figure for long-term debt. Intensive village surveys throw some light on this aspect of the problem of indebtedness. For instance, as already stated in Chapter IV, the village Karimpur had a total outstanding money debt of Rs. 9,132, and 159 maunds of paddy debt valued at Rs. 557. The whole of the latter was short-term, being payable at the time of the next harvest, but a portion only of Rs. 9,132 was short-term and intermediate. It is impossible to say how much, in the absence of figures of repayments within the next five years. It should be remembered, however, that Rs. 2,175 was borrowed during the previous year, which must also have been the amount repaid during the year, in view of the fact that there was no material alteration in the total outstanding debt at the beginning and at the end of the year. The repayments consisted of—(a) the entire short-term debt payable within the year, (b) a proportion of the intermediate debt payable within five years (say 33½ per cent., assuming the average currency to be 3 years) and (c) a smaller proportion of the long-term debt payable within twenty years (say 10 per cent., assuming the average currency to be 10 years). On the basis of these figures the money debt outstanding, viz., Rs. 9,132, may be roughly analysed into a short-term debt of Rs. 800, an intermediate debt of Rs. 2,300 and long-term debt of Rs. 6,000, leaving out of consideration the short-term paddy debt. Approximately the same proportions are found in the

case of the loans granted by the Naogaon Co-operative Land Mortgage Bank, described later in this chapter. Assuming this proportion for the whole of Bengal, it may be said that out of the total outstanding money debt of 93 crores, about 62 crores represents long-term debts, which must therefore be made up of 44 crores of mortgage debt and 18 crores of unsecured debt.

130. Is the Bengal raiyat insolvent?—This debt of 62 crores should be shown in the capital account and the balance in the revenue account. In other words, short-term and intermediate debts should be considered in relation to the income of agriculturists, whereas long-term debts should be considered in relation to their properties. Unfortunately, in Bengal there is a large body of intermediaries between the cultivator and the State, having varying interests in land. Leaving them out for the moment, if we assume that the whole of the cultivated land in Bengal, viz., 23 million acres according to the return for 1928-29, valued at Rs. 300 an acre on an average as in Chapter II, belonged to agriculturists, their property was worth 690 crores of rupees. Thus even if a liberal allowance is made for intermediaries, the Bengal raiyat is far from insolvent.

131. Second pre-requisite for agricultural improvement—Stoppage of waste.—(a) *Due to small holdings.*—Thus the long-term debt does not appear to be a heavy burden at first sight. But this finance has to be procured at present at such a high rate that this waste must be stopped as an essential preliminary step before any organized attempt at agricultural improvement is possible. A much greater waste is involved in the manner in which land is held in Bengal at present. For one thing, the average size of an agricultural holding is so small that the working must be uneconomical. The principal crops grown are rice and jute, for which large farming is most suitable. Such occupations as cattle-breeding, poultry-keeping, dairying and fruit and vegetable-growing, which are suitable for small farms, are not in general carried on independently, but mostly as subsidiary to agriculture, in order to provide some means of utilising the surplus time and labour of the agriculturist, who cannot be fully employed on his tiny holding. As with men so with animals and with agricultural implements, it requires but little imagination to realise the huge amount of avoidable waste. Apart from such direct waste, there are indirect wastes of a far-reaching character. For with small holdings of the present size, it is idle to contemplate the purchase of expensive up-to-date machinery, and similar measures for agricultural improvement.

132. (b) Due to fragmentation.—Small as the average size of the holding is, this is by no means the only or the chief defect. The position is seen to be truly desperate, when one remembers that these small holdings do not form compact blocks of land, but consist of a large number of minute dispersed plots. Some idea of the extent to which fragmentation has proceeded in Bengal may be formed from intensive village surveys undertaken by our Committee. For instance, at Karimpur in Bogra if the three largest plots measuring

5.08, 2.98 and 2.71 acres are left out, the frequency table for the sizes of the remaining 829 plots is as shown below:—

Size of plots in acres.		Number of plots.	Size of plots in acres.		Number of plots.	Size of plots in acres.		Number of plots.	Size of plots in acres.		Number of plots.
Exceeding—	Not exceeding—		Exceeding—	Not exceeding—		Exceeding—	Not exceeding—		Exceeding—	Not exceeding—	
..	.05	155	.60	.65	12	1.20	1.25	4	1.80	1.85	1
.05	.10	135	.65	.70	11	1.25	1.30	1	1.85	1.90	2
.10	.15	78	.70	.75	11	1.30	1.35	3	1.90	1.95	1
.15	.20	64	.75	.80	6	1.35	1.40	4	1.95	2.00	1
.20	.25	50	.80	.85	11	1.40	1.45	1	2.00	2.05	1
.25	.30	41	.85	.90	6	1.45	1.50	2	2.05	2.10	..
.30	.35	45	.90	.95	6	1.50	1.55	2	2.10	2.15	..
.35	.40	42	.95	1.00	5	1.55	1.60	2	2.15	2.20	1
.40	.45	40	1.00	1.05	4	1.60	1.65	..	2.20	2.25	1
.45	.50	28	1.05	1.10	7	1.65	1.70	..	2.25	2.30	1
.50	.55	28	1.10	1.15	4	1.70	1.75	..			
.55	.60	9	1.15	1.20	1	1.75	1.80	2	Total	..	829

Thus about 18.7 per cent. of the total number of plots are below 1/20th of an acre and about 16.3 per cent. between 1/20th and 1/10th of an acre. In fact, it has been estimated that fully 5 per cent. of good cultivable land is wasted in the district of Nadia in "ails," which are also the cause of much agrarian disputes and profitless litigation. The partition of each individual plot following the death of the last owner, or the break-up of a joint-family proceeds in the rest of Bengal in the same way as in Nadia. The average waste in "ails" is therefore not less than 5 per cent. for the whole of Bengal, compared to 1 per cent. in the Punjab, as estimated in the Report of the Agricultural Commission. Thus the problem of fragmentation is far more acute in Bengal than in the Punjab. It should be remembered that even in the more fortunately placed Punjab, as much as 5 per cent. of good agricultural land is made up of such minute plots that it cannot be cultivated, as reported by the Agricultural Commission. It is easy to realise how much greater must be the loss in Bengal due to the far more numerous plots here being too small for cultivation. It is true that fragmentation is necessary for terrace cultivation in undulating regions, but it can have no justification in a flat country like Bengal. Nor can it be said that fragmented holding does not necessarily mean fragmented cultivation, for the vast majority of Bengal agriculturists cultivate their holdings themselves. They are so conservative that they would cling to the soil by still lowering the already low standard of living rather than let out their land and work in the organised industries of Bengal, which have to be manned mostly by non-Bengalees at present. In fact, the only valid argument against enlargement of holdings is that it militates against this rooted conservatism of Bengal agriculturists, and tends to compel a considerable number to be landless labourers, dispossessed of their tiny holdings. It should be remembered, however, that if the holdings are enlarged into an economic size, there will be less waste and greater production, yielding a higher rational dividend so that the share of each worker will be larger than before. In any case, this argument cannot be applied against consolidation, which merely coalesces tiny plots into a compact block, leaving the number of agriculturists and the size of their holdings the same as before. It should be remembered, however, that not much money is required for consolidation, although some finance must be provided for the enlargement of holdings.

133. Irrigation and allied agricultural requirements.—*Parti passu* with the removal of the burden of accumulated debts and of the hindrances due to small and scattered holdings, a systematic plan of agricultural development must be followed. For it is with the help of the surplus yield arising out of improvements that new undertakings will have to be financed. Probably, the most remunerative employment of long-term capital in Bengal at present will be found in irrigation and connected undertakings. This has two aspects unlike other parts of India. Not only must additional water be provided in dry areas, lying roughly to the west of 88° longitude, but surplus water must be removed from flood areas in a well thought out and scientific manner. Thus both embankment and drainage have to be considered along with irrigation. Even sanitation and navigation may be properly tackled only by co-ordination with irrigation projects. In fact, the Bengal Irrigation Department is concerned more with navigation and embankments with a total length of over 3,000 miles than with irrigation proper, having a canal length of about 100 miles. It is true that irrigation through tanks and wells has greater scope now than through canals and embankments, but the intimate relation between the two should not be lost sight of. It is well known that the deterioration of wells and canals in the Burdwan district is largely due to the Damodar embankment, which has deprived the country side of its much-needed moisture driving the subsoil water level to an average depth of 26 feet below the surface and sometimes even 60 feet. Thus co-operative irrigation societies and other agencies for supplying water depend for their success ultimately on big irrigation projects beyond their limited resources. Nature is bountiful in Bengal, but man has often foolishly thwarted her in the past. It is time that her gifts were turned to the best account. The water-logged areas should be drained in order to utilise the rich deposit of alluvial mud. That nature is doing her part of the work will appear from the history of the Chalan Bil, the biggest Bengal marsh, having an area of nearly 150 square miles, out of which nearly a quarter remained under water in 1909 and barely 10 square miles at the time of the last Settlement. Probably the best area for reclamation work is to be found in the Sunderbans, where the operations have been shown to be highly remunerative by a few enterprising zamindars like Sir Daniel Hamilton. It has been clearly demonstrated that in spite of considerable preliminary expenses for cutting down the dense jungle, providing tanks for drinking water and setting up of embankments to keep out the saline water, the profits are more than sufficient for the payment of interest and the repayment of loans. From the above it is clear that different methods of agricultural improvement will have to be undertaken in different parts of Bengal, but all requiring a large supply of long-term credit.

134. Agricultural machinery.—According to the report of the Agricultural Commission, the present implements are on the whole well suited to prevailing conditions. The introduction of power machinery will not be possible until there are larger and more compact holdings. For the present, therefore, and also in the immediate future machineries must continue to be limited to the capacities of bullocks. Similarly, so long as transport in rural areas remains in the present primitive condition, machineries must be sufficiently light, and so simple that they may be easily repaired with locally available resources. Another

and a more serious difficulty of introducing up-to-date machineries is the traditional dislike of the agriculturist for innovations, unless he is convinced of their utility by a practical demonstration. It is clear therefore that financial difficulty is not the only difficulty standing in the way of the adoption of modern implements and machinery. Most of the firms dealing in these in Bengal have expressed their willingness to sell on credit on the instalment plan, on the guarantee of either the rural co-operative society or of the central bank. Besides, as rightly pointed out by the Agricultural Commission, if the Agricultural Department evolve a small number of types of implements and machinery suitable for a wide range of conditions, and suitable also for mass production, the economies effected will bring them within the reach of the small cultivator. From the above, it is clear that until the present methods of agriculture are replaced by methods approaching those of large scale capitalistic farming, and other conditions such as transport are suitably altered, there can be no immediate demand for long-term credit on an extensive scale for costly and elaborate agricultural machinery.

135. Examination of existing agencies for providing long-term agricultural credit.—(a) *Zamindars and other rent-receivers.*—Even if we leave out such potential needs, there are at present pressing demands for long period finance, e.g., for relieving the burden of agricultural indebtedness. There are five possible agencies from which the raiyat may now obtain long-term loans, viz., (a) zamindars and other rent-receivers, (b) money-lenders, (c) loan offices, (d) Government and (e) co-operative societies. Very few Bengal landlords advance loans to their tenants for productive purposes at present. The existing tenancy law takes away the incentive on the part of the landlord to spend money on the improvement of his raiyats' holdings. It is true that under section 30, clause (c) of the Bengal Tenancy Act, the landlord is entitled to an enhancement in rent for improvements effected at his expense, but this right is hedged round with so many restrictions mentioned in section 33, as to be practically inoperative. As with zamindars so with other rent-receivers, of whom there are far too many in Bengal on account of the Permanent Settlement as pointed out in Chapter II. This divided ownership of land has not only prevented the grant of long-term credit by zamindars and other right-holders but has also stopped the free flow of capital for permanent improvements from other directions. Thus land improvement loans could not be granted against the mortgage of occupancy holdings, which have only been recently declared to be transferable. To sum up, the present conditions are such that the raiyat cannot hope to get long-term funds in any appreciable amount from zamindars and other rent-receivers.

136. (b) Money-lenders.—On the other hand, the money-lender is prepared to finance agriculturists to the utmost of his ability. But the rate of interest charged by him is generally so high, and there are sometimes so many other equally onerous conditions, that not much benefit may be expected through his agency. For the amount ultimately levied by him, both openly and secretly, is likely to eat away the bulk of increased income of the raiyat brought about by any agricultural improvements that may have been financed by him. It is not necessary to dilate upon this point, which will be discussed in detail in Chapter XIV.

137. (c) *Loan offices.*—The same difficulty arises in the case of advances from loan offices. It is true that their rate is somewhat lower than that of money-lenders. It is also true that they are generally free from malpractices. But it should not be overlooked that different rates of interest are applicable to different borrowers. Thus the rates charged by well-established loan offices against the security of revenue-paying estates and permanent tenures are quite moderate, while the rates levied by the smaller offices on advances against the security of a tenant's holding and for comparatively small sums are much higher. But the chief defect of money-lenders as well as loan offices is that they do not inquire into the purpose of the loan and are prepared to make advances even for unproductive purposes, if the security is adequate. But what will be of real benefit to the raiyat is not simply cheap but controlled credit. In fact, the dangers of unregulated credit in the hands of improvident persons cannot be overestimated. Such credit, as Louis XIV rightly observed, "supports the borrower as the rope supports the hanged."

138. (d) *Government.*—The next agency through which the raiyat may obtain cheap and at the same time regulated long-term credit is Government. Under the Land Improvement Loans Act of 1883 and the statutory rules made under section 10 thereof, the District Officers in Bengal may grant loans for a period not exceeding 20 years at the moderate interest of $6\frac{1}{2}$ per cent. per annum for agricultural improvements, which would add to the "letting value of land." Loans are given against the mortgage of the land, but if the borrower's interest is not sufficiently valuable additional security, such as the mortgage of other lands, the surety of other persons or personal security, has to be given. It thus appears that neither the security demanded nor the interest charge is onerous. The maximum period for which loans may be granted is also sufficiently long to enable the raiyat to repay the loan out of his surplus annual income by easy instalments. But as pointed out in Chapter III the total amount advanced under the Act has up to this time been very insignificant. In the district of Bogra, for instance, where our Committee carried out intensive village inquiries, no loan was granted under the Act during the three years from 1926-27 to 1928-29 and the amount of loan outstanding on 31st March 1929 was Rs. 470 only. In fact, the Act is almost a dead letter practically throughout Bengal. Different reasons for this have been offered to us. For instance, some witnesses have ascribed this to the delay in granting the loan and to the rigid conditions enforced for its repayment. But it may be observed that conditions under which money may be advanced and realised by the State can never be so elastic as those of a private money-lender. Mr. T. C. Roy, Collector of Nadia, has pointed out in his reply to our questionnaire that even as the Act now stands, the enquiries do not take up much time. We are also satisfied that the conditions of repayment are not so rigid as to repel the prospective borrower. Another factor, although not pointed out by witnesses, must have militated against the successful working of the Act, viz., the difficulty of granting loans against non-transferable occupancy holdings. But by far the most important reason is that no separate agency has been provided for administering the Act. Very few persons in rural areas were found to be aware of the existence of this measure. On the other hand, many official witnesses complained to us that no money is provided for in the budget for the purpose. Apart from these, there seems to be a fundamental defect in

the Act itself, which has rendered it infructuous. For, no loans can be advanced under the Act for the two essential prerequisites for agricultural improvement—redemption of old debts and consolidation of holdings without which neither any effective progress in agriculture nor any wide demand for land improvement loans is possible.

139. (e) *Co-operative Societies*.—The only other financial agency for long-term agricultural improvements is the co-operative society. Mr. Blandy, Deputy Commissioner, Darjeeling, wrote in his replies to our questionnaire that the Land Improvement Loans Act “was used to some extent in the Bakarganj colonisation area but was afterwards dropped as the co-operative societies served the purpose.” But the existing co-operative societies, whether central or primary, are quite unsuitable agencies for making long-term advances. The period for which a loan may be granted depends, on the one hand, on the term for which deposits and other funds have been attracted by the credit institution for financing the loan, and, on the other hand, on the time required by the borrower for fulfilling the object for which the loan was incurred. For repayment of old debts and for agricultural improvements, funds have necessarily to be tied for a longer time than funds supplied for current needs. Unfortunately, the rural credit societies in Bengal have not yet succeeded in attracting sufficient deposits even for short terms, and they are absolutely dependent on the central banks to which they are affiliated, for financing their members. The central banks also do not or cannot attract deposits at a remunerative rate for periods exceeding five years, and as such they cannot grant any appreciable amount of long-term loans to rural societies. It appears from the replies to our special questionnaire to central banks that most of them grant loans to rural societies for the repayment of old debts or for other capital improvements for 3 years only, a few for 5 years and one alone for a period of 10 years. Thus practically the entire loan is intermediate. But there is no effective check against such loans being utilised for long-term purposes, leading inevitably to arrears in repayment and dislocation of work throughout. Thus when a member of a rural society defaults, as he must, the society fails to pay its *kists* to the central bank, thereby rendering even the work of short-term credit more difficult. Hence the necessity of having special land mortgage banks is becoming more and more acute.

140. **Existing land mortgage banks in Bengal**.—There are already two such banks in Bengal. One is at Naogaon in the district of Rajshahi which was registered in 1924 but did not commence business till the next year. The other is at Bhola in the district of Bakarganj which was started in 1927 but could not do much business till February 1929, for want of finance. Both are limited liability institutions registered under the Co-operative Societies Act of 1912. The Naogaon Co-operative Land Mortgage Bank has an area of operation of 50 square miles, known as the Ganja Mahal. The membership is confined to persons owning agricultural lands or landed properties in the area. The authorised share capital is 5 lakhs of rupees, divided into 50,000 shares of Rs. 10 each. No member is allowed to hold shares exceeding Rs. 5,000 in value. The total paid-up capital on the 31st October 1929 was Rs. 52,480. The total of deposits on that date was Rs. 2,60,851 out of which 43 per cent. was for 5 years, 41 per cent. for 2 years and the rest for 1 year. There is also a scheme for attracting ten years' fixed deposit at 8 per cent. per annum, but when our Committee visited Naogaon, no deposit whatsoever had been received under the scheme.

The bye-laws lay down the following purposes for granting loans against mortgage:—(1) for liquidation of old debts, (2) for the improvement of land and method of cultivation, (3) for installation and purchase of agricultural machineries, (4) for purchase of land and, (5) also for short-term requirements in the form of cash credit advances. This cash credit was formerly given to all members but has now been rightly confined only to those members who are not members of rural credit societies. Loans to members, do not exceed ten times the value of their respective paid-up share capital, at a flat rate of 10 15/16 per cent. per annum. According to bye-laws now in force, loans are to be given up to a certain proportion of the value of the land mortgaged, but in actual practice they are granted at a fixed rate of Rs. 50 per bigha of land. The period of loans varies from one to twenty years. Out of the total loan of Rs. 3,49,706 outstanding on the 31st of October 1929, only Rs. 1,22,216 was payable within five years. Thus long-term loans formed nearly two-thirds of the entire amount. It is thus clear that most of the deposits are for periods much shorter than the periods for which the bulk of the loans has been granted. This would have led to serious difficulties but for the strong financial support received from the Ganja Cultivators' Co-operative Society, which has a big working capital and a strong reserve fund. But there is no doubt that the existing financial arrangements of the Land Mortgage Bank are quite unsound. This has been recognised by the Co-operative Department and in its recently amended bye-laws, the bank has been empowered to issue long-term debentures, none of which has however yet been floated. The Dakhinsahabazpur Land Mortgage Bank at Bhola is much narrower in scope than the bank at Naogaon. Its paid-up share capital is very small, and it has not yet been able to attract any deposits. For its working capital it is mainly dependent on a loan of Rs. 10,000 from the Barisal Central Bank at 9 per cent. repayable in 10 years and a second loan of Rs. 5,000 from Government at 6 per cent. repayable in 8 years. The bye-laws provide for loans for the redemption of old debts, the purchase and improvement of land and also for cash credit advances for current expenses. All loans are secured by mortgages, not exceeding one-tenth of the value of the land. No member can borrow more than 5 times his paid-up share capital. The maximum period for which loans are now given is 7 years. Interest is charged at a flat rate of 12½ per cent. per annum. Not only actual cultivators but talukdars and howladars are members of this bank.

141. Inadequacy of existing long-term credit facilities.—It appears from the above description that the existing facilities in Bengal for long-term credit are at once inadequate and unsatisfactory. The question now arises what new methods can be devised for remedying the present defects. It will be convenient to treat long-term credit requirements of persons having different interests in land separately, for, as matters now stand, agricultural improvement can be brought about, not by agriculturists alone but also by persons having superior rights in land. One method of course is to buy out the intermediaries between the raiyat and the State, as has been partially carried out in the district of Noakhali. Mr. Thompson wrote in the Census Report of 1921 that the landlords of this district have for a long time been accustomed to allow ordinary cultivators to purchase patni rights by payment of a premium. But so long as peasant proprietorship is not fully established in this province, all the interests in land must be

co-ordinated in order that there may be maximum economic welfare. Thus it will be necessary to discuss separately long-term credits for (1) zamindars and other rent receivers and (2) actual cultivators.

142. Long-term credit.—(a) *For zamindars and other rent-receivers.*—The earliest form of long-term credit institutions was set up for the relief of the impoverished aristocracy of Prussia. In fact, the word "landschaft" meant up to the middle of the last century an association of "noble landowners." In India also, proposals have been made from time to time for freeing encumbered estates. Thus in 1901, Duperrex advocated land mortgage banks for the benefit of financially involved landlords in the United Provinces. As to the question whether such persons deserve any consideration, he remarks: "Although a man who contracts debts and hopelessly encumbers his estates is not entitled to much consideration, it is otherwise with his successor who had nothing to do with incurring the debts." This question also came up before the Maclagan Committee, which however refrained from making any general recommendation for the whole of India, pointing out that the details and the merits of the scheme must necessarily depend on the peculiar conditions of each province. They suggested however that some form of co-operation and State assistance would be desirable in all such schemes. In more recent times a proposal was made by the Board of Revenue in the United Provinces for the creation of a land mortgage bank for the special purpose of lending money to the Court of Wards. This was rendered necessary when the joint stock banks of Northern India became unwilling to lend money against land mortgage after the banking crisis of 1913 and the War. In the temporarily settled parts of India, there is often no intermediary between the actual cultivator and the State and even when there are such intermediaries, their number is very limited. The need for long-term credit institutions for zamindars and other rent receivers should therefore be all the greater in the case of permanently settled areas in Bengal. In fact the bulk of the funds of the first land mortgage bank in India was employed in this Presidency. This was a joint stock institution on the model of the French Credit Foncier and was incorporated in London as early as 1863. The work of this bank was taken up by the Bengal loan offices after its abolition. It will be seen in Chapter XIV-A that the loan offices are still serving that purpose, so far as the landlords and other rent receivers are concerned. Two questions now arise, viz., whether the existing joint stock institutions should be strengthened by State aid and whether new institutions on co-operative lines would serve the purpose better. As regards the first, if there is no adequate check against unproductive borrowing and no limitation in the rate of interest to borrowers and of profits to shareholders, there is hardly any case for the State to assist ordinary joint stock institutions. There is not at present much scope for a special co-operative institution either. The Maclagan Committee has rightly pointed out one difficulty, viz., want of solidarity among landlords. Besides, the granting of loans by co-operative institutions must involve a certain amount of publicity to which a well-to-do borrower may not be agreeable. A third difficulty, already pointed out, is that co-operative banks should grant loans only for productive purposes, which have to be utilised for land improvement, for which there is but limited demand at present. It is true that there is a potential demand in Bengal for a special type of long-term loans to mitigate the evils arising from absentee landlordism. Thus, a

zamindar or any other rent receiver may require loans to buy out his co-sharers so that the subdivision of estates may be avoided and he may find it worth his while to live among his raiyats and assist agricultural development, both directly and also indirectly, through his tenants. It cannot be too much emphasised that the landlord and other rent receivers are to act as channels for the flow of credit for the purpose of agricultural improvement to justify any special measures on their behalf.

143. Classification of agricultural mortgage banks.—Before we discuss more fully any indirect measures of assistance through landlords and other rent receivers, it will be more convenient to consider schemes of direct assistance to agriculturists suited to their present conditions. Agriculture in Bengal still remains a one-man business. It is not yet adequately financed either on a joint stock or on a co-operative plan. Partly on account of the precarious and uncertain character of agriculture and partly on account of the smallness and fragmentation of holdings, the agriculturist is unable to raise cheap and sufficient capital against tangible assets. Agriculture, which is by far the most important industry of the country, should be able to attract the savings of the private investor like manufacturing industries and should be able to offer some form of standard investment. The real problem therefore is to set up an organisation through which the risks of agriculture as an enterprise may be so well distributed so that long-term capital may flow into it. This distribution of risks has been attempted in different countries in different ways. Either the State has assumed the entire risk and set up an organisation of its own, for supplying the necessary long-term capital to agriculture or a co-operative or joint stock organisation has been established, with or without some form of State assistance. Thus three types of long-term credit institutions have been evolved—State, co-operative and joint stock, but the distinctive features have been somewhat blurred in several cases by the setting up of composite organisations, e.g., partly State and partly co-operative, as in the case of the Bavarian Agricultural Bank, referred to in Cahill's Report and partly State and partly joint stock, as in Egypt.

144. (a) State.—State-owned and State-managed land mortgage institutions have been started in many countries, specially within the British Empire. Thus the State Savings Banks in New South Wales, Victoria and South Australia, have land mortgage departments. The State Bank of New Zealand also started a special department for land mortgage loans in 1926. Nearer home, State land mortgage banks have been proposed for Burma and Ceylon. In our opinion, such an institution will be unsuitable for Bengal. What we want to encourage among the agriculturists is the spirit of self-help and the desire to organise themselves so that ultimately they would be able to do without any State assistance. A State bank will not develop self-reliance. It will be no better than a reproduction in a glorified form of the present organisation for granting land improvement loans.

145. (b) Joint stock.—A few witnesses before our Committee have advocated joint stock land mortgage banks without however pointing out any valid reason for their superiority over institutions on co-operative lines. It is true that the land mortgage bank, based on real credit, cannot be co-operative to the same extent as Schultze Delitzsch and Raiffeisen banks based on personal security. It is also true that joint stock form of organisation, with or without some form of State aid, has proved

to be successful in many countries. Thus mortgage credit began to be provided in France through the agency of the *Credit Foncier*, organised on joint stock plan as early as 1852. It still enjoys the monopoly of supplying land credit to the whole of France, subject to the government regulation that the rate of interest charged must not exceed the rate of interest on bonds by more than 6 per cent. These bonds are not guaranteed by the State in any way. The *Hypothec Bank* and *Agricultural banks* of Japan, furnishing long-term real estate loans are also organised on the joint stock basis. Under the *Federal Farm Loan Act* of 1916, land mortgage banks, run on joint stock principle, supplement those on co-operative lines in the U. S. A. In England the co-operative principle has been frankly ignored in the new *Agricultural Mortgage Corporation*, set up under the *Agricultural Credit Act* of 1928, with a view to provide long-term loans to English agriculturists in an organised way. But joint stock mortgage institutions outside India which have influenced Indian public opinion most, are the *Agricultural Bank of Egypt* and other mortgage institutions of that country. Proposals have been made by prominent Indian public men from time to time that joint stock mortgage banks on the Egyptian model should be started to solve the problem of agricultural indebtedness in this country. The history of the *Agricultural Bank in Egypt* however shows clearly the danger of facile and cheap credit to ignorant cultivators. Within a few years of the establishment of the bank, the Egyptian peasant borrowed up to the hilt, with the result that there were large arrears in repayment. A joint stock land mortgage bank providing loans on cheaper terms than those of the existing institutions, would not therefore be an unmixed blessing for the Bengal raiyat. Our objections against loan offices as long-term credit institutions for raiyats, hold good in the case of joint stock mortgage banks also.

146. (c) *Co-operative*.—The real advantage of the co-operative bank is that it avoids the danger of cheap credit by ensuring proper use of the loan. The oldest and most noted of co-operative land mortgage banks is the *Landschaft*, which was started in Germany in 1770 and has since been introduced into the Baltic States, Poland, Norway, Denmark, Hungary and Russia. In most cases the borrowers are not given cash but debenture bonds based on the estates mortgaged in favour of the *Landschaft*. The security behind the bonds is the collective guarantee of the members. In Germany it is to the estates of larger size than peasant holdings that the system mostly applies. But in Denmark special credit unions have been established for small holdings. The German model, somewhat altered in connection with Danish schemes, has influenced the plan for land mortgage banks in the presidency of Madras which have issued debentures independently. According to the *Annual Report on the Working of the Co-operative Societies Act* in Madras for the year 1927-28, proposals have been made for the formation of a *Central Land Mortgage Bank* at Madras with individuals and primary land mortgage banks as members. Thus existing co-operative banks have not been utilised in any way. On the contrary, the *Punjab* and *Bombay* land mortgage banks have sought to profit by the experience of the *General Mortgage Bank* of Sweden and have issued debentures through their respective *Provincial Co-operative Banks*. The centralisation is most complete in Bombay where the loan applications received by the land mortgage banks have to be sent to the *Provincial Co-operative Bank* for scrutiny. In the *Punjab*, on the contrary, there is decentralisation, inasmuch as a

borrower in whose place of residence there is a credit society has to obtain from it a partial guarantee (up to Rs. 1,000) of his loan. Each land mortgage bank in Bombay covers a revenue district and it stands to reason that some amount of decentralisation is necessary to mitigate the evils of insufficient control over such a wide area. In Assam, on the contrary, the two co-operative land mortgage banks, one at Gauhati and the other at Sylhet, do not appear to have any wide area of operation, specially in the present experimental stage. According to the Report on the Working of the Co-operative Societies in Assam for the year ending on the 31st March, 1928, the Sylhet bank is financed entirely by its paid-up share capital and deposits, whereas the Gauhati bank has found it necessary to supplement its share capital and deposits with a loan of Rs. 30,000 from Government. None of these banks appear to have floated any debentures. While each scheme, whether in India or abroad, has its own particular advantages, we feel that the Belgian model can be most easily adapted to the existing conditions in Bengal. For one thing, *landschaften* were started in Germany long before the advent of Schultze Delitzsch and Raiffeisen banks. In Bengal, as in Belgium, the success of co-operative land mortgage banks can be best assured by grafting them on to the existing co-operative central banks. This has been actually demonstrated by the successful operation of the Central Co-operative Bank of Louvain founded in 1897. This bank has a land section, financed by bonds, which lends to farmers on real estate mortgages through primary credit societies, affiliated to the bank and also directly to individual borrowers from places where there is no primary credit society. But the interest charged from individual borrowers is slightly higher, because of the greater risk of direct loans. It is true that the primary societies charge a small commission but even then the net interest remains lower on loans through the societies.

147. Should loans be granted only to members of rural credit societies?—Although there is general agreement among witnesses before our Committee about the fundamental principles of co-operative land mortgage banking for Bengal, there is a wide divergence of opinion about the actual details. The Assistant Registrars of Co-operative Societies for Dacca and Rajshahi Divisions have both suggested that members of rural credit societies alone should be granted land mortgage loans. This is theoretically sound, and also of some practical importance. For the wider the facilities provided through the co-operative societies, the more rapid will be their development. But there are two difficulties to be contended against. One is that at the present time only a small percentage of the whole body of agriculturists has joined the rural credit societies, and any assistance afforded to such members will touch merely the fringe of the problem of agricultural indebtedness. Besides, whatever additional facilities are provided by rural societies, there will always remain a large body of substantial agriculturists, not to speak of rent receivers, who will not be disposed to accept unlimited liability. We therefore recommend that in addition to land mortgage credit granted to the present members of rural societies, separate arrangements be made for granting long-term credit to persons, who are not, nor likely to be, members of such societies.

148. Should rural society be required to accept liability for loans?—In any case, a considerable proportion of the loans will be made at first to the members of rural societies, and the question naturally arises

how the responsibility should be shared between the rural societies on the one hand and, on the other, the institution or institutions, on whose finance they will have to be almost entirely dependent, in view of the fact that they are, and will for some time be, unable to attract a sufficient volume of long-term deposits. It may be pointed out in this connection that in the case of the Central Co-operative Bank of Louvain, the entire liability has to be borne by the primary societies. On the contrary, some witnesses appearing before us, both official and non-official, have suggested that rural societies should merely recommend loan applications of their members to the higher financing body, but without any liability whatsoever. They apprehend that with the introduction of land mortgage business, the liability of rural societies will be completely changed. Not only will it be considerably increased in volume but the liability will extend over a long period of years. Persons, who are prepared to accept unlimited liability now, will then try to go out of the movement. This fear, although not entirely groundless, is not of much practical importance. For, if the security offered is ample, there is, in effect, no real increase in liability. On the other hand, if the security is insufficient, the rural society should certainly turn down the loan application. If loans are really granted and utilised for productive purposes, the length of the period of the loan need not be regarded with misgivings. Another argument, which may be advanced, is that only some members require long-term loans, and it is not proper that others should be required to accept liability for them. In other words, community of interest, which is the *sine qua non* of co-operative credit, will be interfered with. It should be remembered, however, that much of what now pass for short-term loans is in reality for long terms, otherwise there would not have been so many defaults. In fact, if the actual nature of the present loans is frankly recognised, most of the members will be found to have similar financial requirements. We therefore come to the conclusion that there is no valid reason for shirking responsibility for loans on the part of rural societies, whose recommendation can hardly have any value, unless they are prepared to be answerable for it.

149. **If so, how much?**—The next question that naturally arises is whether rural societies are in a position to accept such liability, and, if so, to what extent. It is true that even at present they require the guidance and control of central banks as much as its finance. For valuing the property and verifying the rights of the borrower, they are not at all competent. These difficulties are all the greater in Bengal, where on account of the Permanent Settlement there is no village agency for maintaining an accurate record-of-rights. Most of the Settlement Records have now become obsolete on account of deaths and transfers affecting small and fragmented holdings. There is considerable force in this argument, but the alternative is worse still. For then the higher financing body will have to shoulder the entire responsibility for examining and valuing the security, instead of supplementing the admittedly defective check provided by rural societies. After all, money-lenders have no expert equipment, but depend mainly on their local knowledge for their loan operations. Rural societies have as much, if not more, intimate local knowledge. Discussions in such societies about loan applications must involve publicity and will undoubtedly ensure better scrutiny. Besides, if the loans are granted through them, and interests and instalments are also

received through their agency, the cost of administering the loans will be considerably diminished. It will therefore be to the interest of the higher financing body to treat the rural societies as its agents. Its relationship with them will then be somewhat similar to the relationship between the head office and small branches of ordinary joint stock banks. Naturally, the extent of the liability, which the rural societies will be prepared to accept, will depend on the concessions, which the higher financing body will be willing to grant them in consideration for this guarantee. We therefore refrain from laying down a fixed proportion as the share of the liability of the rural societies, which can only be settled by mutual agreement between them and the financing body.

150. Organisation of the higher financing body.—In fact the success of land mortgage banking will depend as much on the rural societies as on the higher financing body, whose constitution, therefore, requires our careful attention. Two views have been placed before our Committee. Some of the witnesses have suggested that existing central banks should be required to take up this new business—a view with which some of the central banks themselves are in agreement. On the other hand some other witnesses have proposed separate institutions for land mortgage banking, quite independent of existing central banks.

151. Examination of arguments in favour of a separate land mortgage institution.—(a) *Minimum interference with present arrangements.*—The chief reason assigned is that the present assets and liabilities of central banks and rural societies should be left undisturbed as much as possible. While there can be no difference of opinion on this point, it is difficult to see how an independent institution can interfere less with present credit arrangements than if the central bank takes up this new work itself. After all, the only disturbance possible to the present co-operative system must be through rural societies, which will not be, as we have seen, prejudiced sensibly by land mortgage business.

152. (b) Intricacy of land mortgage business.—Another possible plea in favour of an independent institution is that this new business is an extremely intricate one, requiring expert technical knowledge for valuing the property and ascertaining the title. Not only this, the method of conveyancing requires some amount of legal knowledge. There are also many practical difficulties, such as the fluctuation in land values on account of the instability of the prices of commercial crops like jute, or the management of properties, whose sale may have to be postponed for some time in the hope of getting better prices. Conceding all these, one fails to understand how a new institution can fare better than a central bank, which is now financing lock-up advances of rural societies, although in a somewhat halting manner. It is not of course disputed that the central bank will have to strengthen its staff and improve its equipment for carrying on the new business.

153. (c) Difficulty of catering for the needs of non-members of rural societies.—A third possible plea in favour of an independent institution is that the credit requirements of persons, whether agriculturists or rent-receivers, who are not members of rural societies, cannot be met except by a separate agency. As the MacLagan Committee has rightly remarked, "it is no part of the business of a Central Bank to grant loans to individuals." But this difficulty may

be met by starting primary credit societies for these men but affiliated to the Central Bank in the same way as the existing rural societies. The area of operation of the proposed societies will be naturally large and the members will not probably be known to one another intimately. Besides, the members will have substantial property not to be lightly risked. We therefore feel that the liability of the members will have to be limited. Even then the proposed societies will be better than ordinary joint stock land mortgage banks and will be controlled more in the interest of borrowers than in the interest of lenders. The proposed societies will be able to arrange also for short-term and intermediate credit without any difficulty through the existing organisation.

154. (d) *Risks of mixed banking.*—Perhaps one of the strongest arguments that may be advanced for a separate institution independent of existing central banks is that it will eliminate the risks of mixed banking. It is admitted on all hands that there are great dangers in not distinguishing between ordinary commercial banking, which must have liquid assets for meeting its ready liability and land mortgage banking, whose loans and advances must necessarily be for long periods. In fact, the unwholesome practice of financing long-term loans with the help of short-term deposits has precipitated many banking failures in India. But if land mortgage banking is carried on in a different department, quite separate from the present business, there should be no such risk. After all, even the commercial banks are called upon to distinguish between different kinds of liquidity both in the disposition of the resources and in the manner of their employment. On the one hand, current deposits must be treated differently from time deposits, and on the other, carefully worked out proportions have to be maintained among the items (a) cash on hand and with bankers, (b) money lent at call and at short notice, (c) investments in Government and other marketable securities, (d) discounting of bills and (e) granting of loans, showing clearly that the difference in the liquidity of these different assets is recognised. In fact, land mortgage business differs from commercial banking only in degree but not essentially in kind. They are not mutually so incompatible that they cannot be carried on in two departments of the same institution. This is amply borne out by the fact that this system prevails in diverse countries in different types of land mortgage banks. Thus among State concerns, the Bank of New Zealand and the Government Savings Bank of New South Wales have been carrying on without much difficulty both short-term and long-term operations. The same feature is to be found in concerns, more joint stock than State, such as the Credit Foncier of France and the Union Land Bank of South Africa. As regards co-operative societies, the Central Bank of Louvain has already been mentioned. But the most striking co-operative example is furnished in India itself. For at the ninth Conference of Registrars of Co-operative Societies, it was resolved that village societies, central banks and provincial co-operative banks should take up the work of liquidating old debts so far as their resources permit. No question was raised about the dangers of mixed banking by any of those, who were in the best position possible to know if there was any real risk. Nor can it be said that the liquidation of debts, mostly long-term, differs in any essential respect from land mortgage banking contemplated by us. In fact, for some time to come, land mortgage loans will have to be granted principally for the redemption of old debts.

155. (e) *Annexé of central banks.*—One witness, the Assistant Registrar of Co-operative Societies, Rajshahi Division, has suggested that land mortgage banking should be carried on as an annexé to the central bank. In other words, the central bank will be a sort of holding institution, and, as such, will control the land mortgage bank affiliated to it. This has certain advantages. For instance, the dangers of mixed banking are almost entirely eliminated. But the machinery will be very cumbrous. To increase the number of separate organisations through which long-term funds are to be raised and granted to borrowers is to add to the complexity and to increase the risk of possible friction among the institutions. Moreover, if money has to pass through three hands, viz., the village society, the land mortgage bank and the central bank and each charges even a moderate commission of say $\frac{1}{2}$ per cent., the ultimate rate payable by the borrower will be so high that the real purpose of granting long-term loans will be nearly defeated.

156. *Advantages if central banks carry on land mortgage business.*—From the above analysis, it appears that there is at present hardly any case for a separate land mortgage bank in Bengal. On the other hand, if the central banks carry on this business, there will be certain positive advantages. The most important is economy and efficiency of management, which is not possible for a separate institution. As has been pointed out above, land mortgage loans will be availed of for the present, largely for repayment of old debts. Thus the volume of business will not at first be very great, although expert staff will have to be maintained for administering the loans at a considerable cost. If short-term and intermediate operations are carried on at the same time as the long-term operations, these costs will be distributed. But, if a separate institution is started, the only course for minimising expenses open to it, is to increase its area of operations, with the result that there will be an insufficient control over borrowers, thus nullifying the chief object of a co-operative land mortgage bank, viz., the supply of regulated credit. Besides this, there is an obvious advantage in supplying both short-term and long-term needs through the same institution. It is by this means alone that a proper check can be kept on borrowing, and at the same time the employment of loans for their legitimate purpose can be ensured. To sum up, we recommend that for the present, central banks in Bengal be required to open up land mortgage departments, the extra share capital required being subscribed partly by affiliated rural credit societies and partly by other limited liability societies to be started for substantial agriculturists and rent receivers. Long-term loans from 5 to 20 years, not exceeding half the value of the land mortgaged, are to be granted by this new department.

157. *Sources of long-term funds.*—(a) *Existing resources of Central Banks.*—Whatever the organisation of the higher financing body, it must be able to secure a sufficient volume of long-term funds to achieve its purpose. There is no question that it should try to utilise its own resources to the utmost. The present direct long-term resources of the central bank may be classified under three heads: (a) paid-up share capital, (b) reserve fund and (c) long-term deposits. The bulk of the first is not refundable and may be safely employed for land mortgage loans. As regards the reserve fund of co-operative banks, unlike that of ordinary joint stock enterprises, has not to be utilised for the equalisation of dividend, but only for guarding against unforeseen

losses. Now, such losses arise mainly through the default of primary societies. The best way to combat it therefore is to strengthen the position of primary societies by supplying credit for productive purposes. Thus there can be no objection to the employment of a moderate proportion of the reserve fund. With regard to the attraction of long-term deposits, central banks have so far made very little progress. Recently, endowment schemes have been instituted in some central banks, the essence of which is that depositors are required to make small monthly payments, on which compound interest is allowed by the bank. The periods after which such deposits are repayable vary in different central banks. For instance in Patuakhali Central Bank the period is fixed at 10 years, in Bagerhat Central Bank 12 years and in Serajganj Central Bank 15 years. But these have not yet resulted in any large accumulation of long period funds.

158. (b) *Other resources within the co-operative movement.*—Another source is the long-term money secured through the operation of the Bengal Co-operative Provident Insurance Society, Ltd. It is too early to say how far it will be successful. In any case, the aggregate long-term resources of central banks are sadly inadequate even for relieving agricultural indebtedness, not to speak of requirements for agricultural improvements in the proper sense of the term.

159. (c) *New resources.*—Some other forms of long-term investment must therefore be tapped. Unlike other countries, debentures have not yet been sufficiently utilised even for industrial purposes in this country. They have certain advantages which shares lack, viz., a fixed return and partly as a consequence of that, a stable capital value. Cautious investors, who look for steady yield and easy realisability, naturally prefer debentures to shares. The same might be said also of insurance companies, which are now compelled to invest a considerable proportion of their funds in Government paper in the absence of other eligible forms of investment. There is no reason why land mortgage bonds should not be popular in Bengal if they are sufficiently safe and adequately remunerative and are brought within easy reach of small investors. The figures for the sale of postal cash certificates, quoted in Chapter III, show that in Bengal there is a sufficient volume of capital available.

160. **Question of State assistance in issuing land mortgage bonds.**—This brings us to the question of some form of State assistance in the issue of debentures. All the world over, land mortgage bonds or debentures carry with them some form of State aid. In some countries the assistance is indirect, e.g., exemption from taxation as in the U. S. A. In some countries, the interest only is guaranteed by the State, in some others both capital and interest have been guaranteed. Specially in new countries liberal measures of State support have been accorded. Thus the bonds issued by the National Bank of the Argentine Republic are fully guaranteed by the State. In Chile, although there is no statutory guarantee, the Government holds out that it is behind the Mortgage Credit Bank. This is wrong on principle and so is tax exemption. For all concealed subsidies are undesirable. Some authorities have gone so far as to object even to open and specific guarantees on the ground that as the volume of such credit grows, it diminishes the power of the State to borrow for its ordinary needs and thus tends ultimately to increase the cost of such borrowing. Such apprehensions are groundless so far as Bengal is concerned, at least for many years to come. In any case, a time limit may be set, during

which the banks issuing land mortgage bonds may be required to prepare themselves to do without State assistance.

161. Its forms.—Even if the principle of State assistance be accepted, the best form of rendering it has to be carefully considered. Leaving out the undesirable forms pointed at above, there are three eligible methods already in use or contemplated in other parts of India. Thus interest has been guaranteed in Bombay and the Punjab. Both interest and capital are proposed to be guaranteed in Burma. In Madras a part of the debenture issue has been subscribed by Government. This has been done in effect also in Bengal, for the loan to Dakhin Shahabazpur Land Mortgage Bank by Government, referred to earlier in this chapter, does not differ in any essential respect from Government subscription to debentures. This has one decided advantage, viz., that it definitely limits the liability of the State. But what is required in Bengal, is not so much State money on which the co-operative movement here is less dependent than in the rest of India, but State guarantee which will induce ordinary investors to lend their savings. We feel, however, that the guarantee of principal will not be required, and, therefore, recommend that only the interest be guaranteed by Government, subject of course to such control as may be required by them for discharging this responsibility.

162. Examination of other measures of State assistance.—(a) *Direct subsidy.*—It now remains to discuss in what other ways Government can help land mortgage banking beyond facilitating the issue of debentures. The first is direct subsidy. It should be remembered that under the British Agricultural Credits Act, the Treasury is to contribute £10,000 a year for ten years to the Agricultural Mortgage Corporation, the first institution of its kind in England, towards the cost of its administration. What is proposed, however, for Bengal is not a pioneer institution as in England but the existing central banks, somewhat altered. Thus the cost of administration cannot become equally great here, justifying a State subsidy. The existence of Bengal loan offices also offers some difficulties. The guarantee of interest on co-operative land mortgage bonds will not, however, have the same effect. For they will tend to familiarise people with this new form of investment of which the loan offices also will be able to take advantage.

163. (b) Record-of-rights.—In Bengal there is a special difficulty. As has been said earlier in this chapter, in spite of settlement operations, there is no up-to-date record-of-rights. This difficulty is recognised by us but it is not an insuperable one, in view of the fact that village money-lenders as well as loan offices are advancing money on land mortgage. In any case it is not possible to recommend more frequent revision of the Settlement records.

164. (c) Summary powers for foreclosure and sale.—The question of conferring summary powers for foreclosure and sale on co-operative land mortgage banks has been raised by some witnesses appearing before us. Such powers are theoretically unsound, although they are to be found in Germany. For, apart from undue rigour to borrowers, they must lead to laxity in scrutinising the security and to carelessness in fixing the amount of the loan. In any case, if there is consistent good management throughout the period of the loan and if the period is long enough litigation may be avoided.

165. (d) Bonds to be Trustee Securities.—It now remains to consider what other concessions may be legitimately granted by the State to

land mortgage bonds. We have already recommended that the interest on them should be guaranteed so that there will necessarily be some amount of State supervision and State control. We therefore make a further recommendation that they be included in the list of Trustee securities. It is true that according to our previous recommendation, the principal has not been guaranteed by Government but we have imposed, as will be seen later, strict conditions for the issue and management of these bonds.

166. **Conditions of issue.**—It has already been pointed out that there are obvious advantages in centralising the issue of land mortgage debentures. We recommend that they be issued only by the Provincial Co-operative Bank, which may make such underwriting arrangements with the Imperial Bank of India or any other bank as may be necessary. Such bonds are to be issued only up to half the value of the land covered by mortgages and should not exceed fifteen times the paid-up capital and reserve fund earmarked for the land mortgage department of the central bank concerned. At least two trustees elected by the debenture-holders are to be associated with the persons appointed by the State in the administration of the Provincial Banks. The bonds should be for small amounts, say Rs. 50 and fully negotiable. If desired by a lender, bonds should be made out to bearer, with interest coupons attached in the usual way. A sinking fund should be set up for the redemption of bonds, and should be freely utilised in order that bonds may never fall to a discount. Both sale and purchase of bonds at standard rates should be freely undertaken by all co-operative central banks in order that there may be as wide a market for them as possible. One reason for the popularity of postal cash certificates is the facility provided at every post office for their investment and realisation. It will be seen from above that we lay down fairly rigid conditions for the issue and the handling of bonds. This may be objected to by ardent co-operators, who are anxious to make rapid progress. It should be remembered, however, that financial difficulty is not the only difficulty to be surmounted. An efficient agency for administering the mortgage loans must be set up. Above all, agriculturists are to be assisted to acquire habits of thrift and self-help; so that with the removal of the burden of indebtedness, other problems of agricultural development, such as enlargement and consolidation of holdings, irrigation and other allied projects, purchase of up-to-date machineries may be successfully tackled. It is a stupendous problem but our concern now is only with the foundation, which must be well and truly laid.

CHAPTER VII.

Marketing of Agricultural Produce.

167. **Methods of marketing principal crops.—Tea.**—In Bengal there is practically no thoroughly organised market for any agricultural produce except tea. Tea can hardly be regarded as a purely agricultural product, as it is subjected to preliminary processes of manufacture before it is put on the market. It is invariably produced on a commercial scale involving large investment of capital and labour beyond the financial capacity of the ordinary cultivator. The production and marketing of tea are quite as fully organised as the trade in the commodity. Those gardens, which are owned and managed by firms registered in England, despatch their tea to Calcutta or Chittagong for shipment to London where it is sold by auction. The yield of the other gardens is handled by only four European firms of brokers in Calcutta, who act as auctioneers on behalf of their clients. The manufactured tea, packed in lead-lined wooden chests, is consigned to the firms of brokers by the proprietors of gardens and is stored in warehouses in the Kidderpore Docks. The sales generally take place once a week, and occasionally twice in the brisk season. There is no intermediary operating between the producers and the brokers, and the simplicity of the procedure of sale accounts for the absence of any financial difficulty which is generally associated with marketing.

168. **Jute.**—Jute is an economic crop produced almost entirely for sale. Very little is retained by the producer for local consumption. Formerly it used to be spun in villages and made into strings and ropes for local use and also woven into gunnies and made up as bags, but most of these industries have now disappeared and the growers keep only a few bundles for spinning into strings for household use. The fibre is produced in Bengal and the adjacent provinces of Assam and Bihar and Orissa, but almost the whole of the crop comes to Calcutta for sale to the mills or for shipment abroad. A very small portion is shipped directly from the port of Chittagong.

169. Jute passes through the hands of many dealers on its way from the grower's house to the consumer. The methods differ in different parts of the province, but the account given below may be taken as the common procedure. Although the producer sometimes brings the crop to the local market for sale, the general rule is that it is bought in his house by travelling purchasers who may be either a faria or a bepari. When, as often happens, the grower is in debt he has to supply his produce to his creditor who functions as a bepari. The faria is a man of the locality and his business is to collect small lots of jute from individual villagers in one or more villages. He sometimes buys on his own account and sells to the bepari taking the risk caused by an unexpected fall of price, but more often he works as an agent of the bepari and buys with the bepari's money earning a commission on the brokerage basis. The bepari obtains his jute either by direct purchase from the producer in his own house or in the village market or through the agency of the faria. He may again be trading on his own account taking all risks of trade or he may only be the agent of an aratdar or mufassal jute merchant. These

merchants are Bengalis, Marwaris as well as Europeans and have more or less extensive places of business consisting of godowns and baling presses. They are to be found at most of the important steamer stations in the jute-producing areas, the principal being Narayanganj in Dacca, Serajganj in Pabna, Sarisabari in Mymensingh and Chandpur in Tippera. In Northern Bengal they are also to be found at important trading marts on the railway lines. They obtain their supply of jute from the beparis who act either as vendors or as agents. They grade the jute according to the classifications dictated by the trade in Calcutta, weigh and then press it in kuchha bales. These bales are lighter than the pucca bales for facility in handling. The usual weight of a kuchha bale is $3\frac{1}{2}$ maunds, but is 4 maunds in some places and $1\frac{1}{2}$ maunds in some others. The aratdars also sort the jute brought to them, but their grading is not so carefully performed as that of the merchants. They do not press the jute but tie up in bundles and then pack the bundles in the form of round drums weighing about one maund each. Sometimes the aratdar is merely a warehouseman and the selling agent of the bepari and sometimes he is a merchant acting on his own behalf. These kuchha bales and drums are then shipped to Calcutta.

170. The principal buyers in Calcutta are either the manufacturing mills or the balers. The balers unpack the kuchha bales reassert them according to the standards prevalent in foreign markets and press the jute into pucca bales of 400 lbs. each. They sell these pucca bales to shippers who export them to Great Britain and other foreign countries. In some cases the baler is also a shipper. Of the total amount brought into Calcutta about 60 per cent. is consumed in the mills. The mills buy either directly from the mufassal jute merchants or from the Calcutta market through the agency of brokers. The jute sent by the Indian merchants in the mufassal is generally received in the warehouses or arats in Hatkhola, Phulhagan, Baghbazar, Shambazar, Ultadanga and Cossipore Road. These aratdars are often purely warehousemen and not merchants, but in rare cases they do the trade themselves buying jute that comes to them outright and selling it on their own account.

171. **Tobacco.**—Tobacco is another crop of commercial importance in this province, in the marketing of which there is some organisation. It is grown for local consumption almost everywhere, although two districts in North Bengal, viz., Rangpur and Jalpaiguri, and the State of Cooch Behar usually grow for export. The trade is chiefly in the hands of the Arakanese and the Madras merchants who come annually and buy the crop and despatch it to Chittagong for export to Burma or to Calcutta for despatch to Madras or shipment outside India. In the producing districts the growers bring the produce to hats or sell it in their houses to paikars who correspond to the farias in jute trade. The latter in turn sell to aratdars who act ordinarily as commission agents for the Arakanese merchants but sometimes purchase on their own account and sell to the merchants. In Jalpaiguri and Chittagong the intermediaries work on their own capital. In Mymensingh and the 24 Parganas the aratdars are generally financed by the purchasing merchants, and in Rangpur the paikars are financed by the aratdars. With the exception of the aratdar all other intermediaries trade with their own capital while the aratdars ordinarily work as commission agents and sometimes as merchants.

172. **Rice.**—As an article of commercial importance rice in Bengal ranks below jute although it is far more extensively grown than the latter. The acreage under rice in Bengal comprises 75 per cent. of the total cropped area of the province. But the bulk of it is locally consumed and only a few districts, including Dinajpur in North Bengal, Bakerganj in East Bengal, Sundarbans in the 24 Parganas and a couple of districts in the Burdwan Division may be said to have developed an organised trade in rice although only the first two districts mentioned above have a real surplus of production over consumption. The supplies from these districts are generally attracted to Calcutta but in adverse seasons the inter-district and even the inter-provincial trade in the crop are no less marked. A fair amount is also drawn to the port of Chittagong for export by sea. The organisation of the trade is of the same nature as that of jute or tobacco though less complex than either of these. There are local farias and aratdars on the one hand and the importing merchants at Calcutta, who are also known as aratdars, on the other. The rice mills in various centres, notably in the Presidency and Burdwan Divisions, often act as direct buyers from the cultivators. As a rule, none of the intermediaries between the growers and the consumers act as commission salesmen. The farias are occasionally financed by aratdars, and the latter in places where they supply the mills are at times financed by them, but such method of financing one intermediary by another of a superior grade is not very widely prevalent in the rice trade.

173. **Difficulties in marketing.—Diversity of measurements.**—Apart from the variety of middlemen who intervene between the growers on the one hand and consumers on the other, there are other difficulties which face the marketing of agricultural crops. The principal among these relates to financing, which is common to the marketing of all kinds of commodities. There is another arising out of the diversity of measurements and the absence of definite standards of quality which have reference only to some particular crops. We have been informed of the prevalence of a multiplicity of weights and measures in the jute trade. A seer weighs in different localities from 60 to 120 tolas. In many places the farias do not use proper scales in purchasing jute from cultivators, the weight of the jute being estimated only by the eye and payment made on that basis. Some witnesses have observed that owing to the prevalence of different weights and measures it is very difficult to compare prices ruling in different centres. The cultivators in a particular district cannot for this reason ascertain whether they are getting the same price as is paid to cultivators in another. This difficulty can be removed only by standardising the weights in all centres.

174. **Lack of standards of quality.**—But by far the greatest difficulty in marketing lies in the absence of definite standards of quality which often disorganises the jute market in Calcutta entailing enormous losses on the Indian merchants who import jute from the mufassal centres. Jute is generally classified into five grades or standards known as Nos. 1, 2, 3, 4 and rejections. But the specifications with regard to length, gloss, colour and strength appertaining to each grade are made to vary from year to year and sometimes even in course of one single season. This variation in the specifications is stated to be brought about in order to depress the prices. Sometimes the prices are brought down by another means without altering the specifications. When

the season for jute opens the mills or rather their purchasers start buying operations on certain agreed specifications as to the standards of the different grades, but after the season advances a little, purchases of the top grades are suspended by a concerted action, with the result that later in the season the quality of jute which could have been tendered according to the agreed specification against a higher grade has in fact to be tendered against lower grades, for, it could not be sold otherwise. Several witnesses have estimated the loss of the growers resulting from this variation of grade specifications as amounting to several crores of rupees.

175. The loss which arises from such manipulation of standards falls no doubt on the Indian jute dealers in Calcutta in the first instance, but we think that it is partially shifted over to the cultivators as well. We therefore strongly recommend that the standards should be made definite by some special legislation on the lines of the American Cotton Standards Act, and that any differences arising between the buyers and sellers should be settled by a Statutory Arbitration Board, including representatives of both the parties. The proposed standardisation will remove much of the speculative element in the trade and improve the credit of the holders of stock.

176. **Preference given to Europeans by jute mills.**—The Indian merchants in the Calcutta jute market find much difficulty in disposing of their stock to the mills. Their names or marks with rare exceptions, are not recognised by the mills in utter disregard of their proved integrity and their financial position. They are compelled to sell through European firms of brokers. The European broker is in most cases a merchant himself in direct touch with the mills and keeps first-hand information of the demand of the mills. He thus takes advantage of the best market to sell his own goods first and his Indian clients only get a chance when he is no longer a seller. The Indian merchant again has to pay a brokerage at a rate of $1\frac{1}{4}$ per cent. The European firms in most cases sell jute direct to the mills and do not pay any brokerage and when they sell through European brokers they pay only 1 per cent. With a few exceptions the mills do not allow the Indian brokers to call on them to sell jute. Direct sale to the mills is thus practically closed to the Indian brokers.

177. **Financial difficulties.**—Among the difficulties which the cultivators have to encounter, the most formidable, as already referred to, is financial. The difficulties which relate to the prevalence of various weights and measurers may gradually be lessened with the general enlightenment of the mass of cultivators enabling them to protect themselves against the fraudulent practices of the buyers. But the problem regarding the lack of financial facilities calls for a solution which is absolutely beyond their control. The nature of these difficulties and the conditions which deter them from selling their produce at an advantage are detailed below.

178. **Effect of indebtedness on marketing.**—The problem of financing the trade in agricultural crops in Bengal derives its special features from the conditions under which these are grown and sold. There being so many intermediaries interested in the different trades, the marketing of crops really embraces a series of operations including all the stages from the field to the final destination. At one extremity the problem of marketing is inseparably connected with the conditions

of production. Unlike tea of which the production is thoroughly organised, crops like jute and rice are grown by the cultivators throughout the whole province. The average cultivator of Bengal has a very small holding and is so poor that he cannot carry on his cultivation without borrowing. From the time of sowing till the crops are harvested, he is practically left without any income and stands badly in need of financial help which he obtains principally from the money-lenders. The co-operative societies are helping to some extent those that are members of the societies, but by far the large majority of the cultivators depend for financial help on the money-lenders. The conditions under which loans are obtained from the latter determine the extent of the profit which the cultivators get from selling their crops. In places where the system of *dadan* prevails the cultivators cannot avail themselves of a free market for their produce. This is specially true in the case of jute in some North Bengal districts like Dinajpur, Rajshahi and Rangpur and also in some places in the Chittagong Division. A grower who borrows money under this system does not as a rule pay any interest but agrees to sell a fixed quantity of jute to be delivered when harvested at a price invariably lower than the market price. This system as it prevails in the Rangpur district was succinctly described by the Registrar of Co-operative Societies, Bengal, in his Memorandum on the Marketing of Agricultural Produce in the following words:—

“(1) Money is advanced to the grower as loan on a simple bond. Though there is no stipulation under the contract to sell the jute to the person making the advance there is a very definite understanding that the borrower will sell the fibre to the creditor.

(2) Money is advanced on a written contract on condition that the crop after harvesting would be sold to the lender at a specified rate.

(3) Advance is made on a written contract on condition that jute after harvest would be sold to the creditor at the prevailing market rate.”

The lenders who make advances by any of these methods are undoubtedly persons interested in the trade in jute and not merely money-lenders being either agents of merchants, or merchants themselves. The advances are made with the obvious purpose of getting an assured supply of jute. Sometimes the borrowers have to pay interest on the advances at a rate varying from 24 to 75 per cent., and the rate at which the grower binds himself to sell is often lower by 10 to 25 per cent. than the anticipated market rate. Where the cultivator thus contracts himself out of the right of selling his crop in a free market, he has to bear losses on both accounts by paying a high rate of interest and also by being compelled to accept a lower price for his crop than the prevailing market price. The *dadan* system is now fast disappearing. Even in places where the *dadan* system does not prevail, the cultivators who are mostly indebted to money-lenders do not enjoy any real freedom in marketing their produce. As soon as the crops are harvested, they have to meet many immediate requirements. The crops have to be speedily disposed of for paying the rent. The creditors also take the opportunity of pressing their demands for loans and interest. The cultivators, therefore, find it impossible to hold up their crops and are compelled to dump their produce on the market for whatever price it may fetch.

179. Part played by the middlemen.—It cannot be denied that in the present state of marketing organisation, the middlemen, or at least some of them, are indispensable to both the grower and the wholesale merchant. The cultivator cannot bring down his small stock to a distant big centre nor can a merchant go from house to house in every village to collect the quantity he needs. A *faria* is necessary for going to the village and buying such a small quantity from each grower as he wants to dispose of from time to time and carrying the collected quantity either in bullock carts or in small country boats to big centres. But even the *farias* cannot always depend on their own resources and are for too numerous to be dealt with by the big exporting and importing firms. For financing the *farias* and dealing with these firms one or two other sets of intermediaries, such as *beparis* and *aratdars*, are often necessary. The position of the middlemen derives its importance not only for the reason that they constitute a series of collecting agencies in the outlying rural areas but also because they have a definite and well regulated arrangement among themselves for providing credit. Any other agencies for purchase which may take their place must stand superior to them in both these respects. Such agencies must not only be as widely distributed as the middlemen are at present but must also find for their purchases the ready cash which the needy and indebted cultivators so badly require.

180. Lack of organised markets.—Still it has to be admitted that the absence of a number of organised markets in the *mufassal* accounts in a large measure for the existence of so many grades of intermediaries, and operates as a formidable obstacle in the way of the cultivators realising a fair price for their crops.

181. Possibilities of Pools and Sale Societies.—Many of our witnesses have proposed the establishment of pools and co-operative sale societies to solve the problem of marketing agricultural crops in the rural centres. Co-operative sale societies have already been established in many centres dealing in commodities like paddy and jute, but with rare exceptions they have not hitherto been able to yield any results commensurate with the expectations raised. They have been found to have serious defects not only in their methods of working but also in respect of their organisation.

182. Jute Sale Societies.—Among these societies those that have in our opinion great potentialities are the jute sale societies. The jute crop has by far the greatest commercial value and the fact that a large part of the profits of this trade is intercepted by a variety of middlemen fully proves how lucrative it is. The societies will bestow inestimable benefit on the growers, if they can eliminate the middlemen and secure a fair share of the value for the cultivator. But so far these societies have not been able to work at a profit. Only one society has shown a profit last year and offered a bonus to the cultivators from whom it bought jute. The working of these societies requires a careful examination and scrutiny by experts, and the defects in their organisations and methods of working should be set right.

183. Licensed warehouses.—Among the obstacles which at present stand in the way of the cultivators holding up their crops for better prices, several witnesses have referred to the want of proper storing accommodation. Various suggestions have been made to provide such accommodation through the co-operative sale and supply societies. It

has been suggested that the cultivators may hold up their crops in the godowns of such societies and obtain from the local banks short-term loans against the goods on the recommendation of the managers of those societies. The managers are for this purpose to enter into an undertaking with the owners to repay the loan from the sale-proceeds of the goods deposited. The opinions expressed with regard to the finance and management of the proposed warehouses do not, however, appear to be carefully formulated, and the question involves many difficulties which have to be recognised before laying out the basis of a workable scheme.

184. Another suggestion has been put forward by the committee appointed by the Bengal Provincial Co-operative Bank recommending the establishment of warehouses along with the sale societies. That committee have proposed that an arrangement should be made for advancing half the market price of the crops brought for being stored for meeting immediate demands of the grower such as for paying rent and also that the crops stored in this manner should be disposed of in course of two months for payment of the balance to the raiyat. The committee have not clearly explained what relation the sale societies should bear to the warehouses, but it may be assumed that they should be owned and controlled by the sale societies.

185. Still another suggestion has been made seeking to correlate the establishment of such warehouses to the general co-operative movement although in a different manner. It has been proposed that the Co-operative Department should start a warehouse in every village union so that the majority of the cultivators residing in the union may be members of it holding shares. The producers are to sell their crops at the prevailing market rate to the warehouse after the harvest to meet their expenses. The crops will be sold by the warehouse when the market improves and the cultivators will get, in addition, shares in the profit according to the proportion of crop supplied by each.

186. It is clear from the above that the suggestions with all their differences point to a real need for the establishment of warehouses without which one cannot expect any improvement of economic position of the agriculturists. Further, they prove the benefits of co-operation in marketing as they all seek to take advantage of the co-operative societies in fostering the establishment of warehouses. We do not, however, think it absolutely necessary that warehouses should be organised only on co-operative lines. The warehouses will require expert management which the co-operative movement may at present be unable to supply. There is no special reason why the establishment of warehouses by the agency of men qualified by training and experience to manage them should not be encouraged. In such commercial warehouses a part of the profit must no doubt go to the proprietors, but if they provide the necessary brain and take the risk of investing their own funds in them, we do not see any objection to their participating in the profits. In fact, the provision for credit and storing facilities are two separate functions which can very well be discharged by different agencies. The establishment of warehouses by independent agencies will relieve the sale societies and leave them free to conduct their own work on a larger scale. We are, therefore, of opinion that the establishment of warehouses should be undertaken in the present condition of Bengal preferably by private enterprise.

An enabling statute will have to be passed for the purpose on the lines of the United States Warehouse Act adapting the provisions of the latter to the circumstances of each trade and locality in Bengal. We do not, however, approve of the restriction contained in the American Act which confines the grant of license to "persons" connoting "a corporation or partnership or two or more persons having a joint or common interest" (section 2). The privileges under a similar Act in this province should not be denied to any individual who intends to start a warehouse on a proprietary basis. The reason why we urge for this special modification is that in this province there is already a large number of aratdars or warehouse owners who by their experience are far better fitted to organise themselves as professional warehousemen than any other agency. The uncertain financial prospects of the new institutions will always remain a deterrent factor and if the existing aratdar be not allowed to take a license, the chance of success of the Act will be seriously jeopardised. Even the co-operative sale societies, which may rely on a steady demand for storing accommodation from their own constituents, will have to face much difficulty in managing an altogether new business requiring a considerable amount of technical skill.

187. The initial difficulty in establishing licensed warehouses with an adequate number of qualified men will be minimised if the aratdars who are to be found in large numbers in many trade centres in the mufassal and in Calcutta, and are already doing warehousing with their own staff, be prepared to make the necessary alterations to their existing warehouses and convert them to licensed warehouses. They will be induced to take advantage of the Act if it attracts a large and steady business to them, which it is likely to do on account of the official control and support provided by the Act. In places where no private enterprise will be forthcoming licensed warehouses will have to be formed on a co-operative basis, the capital being raised by shares subscribed by the producers and loans from co-operative financing agencies. They should not be mixed up with the sale and supply societies which should develop on independent lines. If a licensed warehouse be owned and managed by a co-operative sale and supply society, the two functions of co-operative selling and warehousing should be kept separate and distinct.

188. **Licensed measurers and graders.**—In starting licensed warehouses there will be found great difficulty in securing a sufficient number of qualified graders. At present there is of course a number of them serving the agency offices of big jute importing firms. But the number of such men as well as of experts in other crops, specially rice and tobacco, has to be considerably increased if the scheme is to operate successfully on a large scale and some means will have to be devised by which such people will be attracted to the warehouses. Arrangements should also be made to provide the agency by which such graders will be certified. We, therefore, recommend that a scheme for training, examining and certifying of licensing measurers and graders should be formulated by Government and brought into operation as soon as the Act is passed.

189. **Better organisation of markets.**—As the establishment of co-operative sale and supply societies and licensed warehouses in adequate numbers will depend chiefly on voluntary effort and private enterprise, the methods suggested above for effecting better organisation of

markets may involve delay and the result will also remain uncertain for some years at least. It is therefore necessary to legislate for the better organisation of markets. Some witnesses have proposed the establishment of organised jute markets in different centres on the lines of the cotton markets in Berar established under a special enactment. The organised cotton markets in Berar are controlled by Market Committees representing both buyers and sellers. The buyers are registered and all brokers are licensed and their charges are fixed. All weights and scales are certified by the Market Committee and no unauthorised deductions by buyers from the price agreed upon is allowed. Latest market information is made available to the cultivators. Provision is also made for sheds where the cultivators bring their cotton for sale. The establishment of organised jute markets in Bengal under a similar enactment will undoubtedly confer a much needed benefit on the cultivators whose ignorance and helplessness are often exploited by the farias. The commercial importance of jute and the variety of middlemen through whose hands the fibre is marketed justify the creation of such markets in this province. The establishment of organised markets would present no difficulty as the important trade centres for jute are well known to the local buyers and sellers and number only about a hundred. The markets would prove greatly helpful to the general body of cultivators of whom only a small percentage has hitherto joined the membership of sale and supply societies.

190. Futures market in jute.—The importance of jute as a commercial product and the periodical fluctuations of its prices at different times of the year point to the need of setting up a futures market, facilitating hedging operations so as to impart a steady tone to the movements of the price of the fibre. An attempt in this direction has been made by the recently established East India Jute Association, Ltd., the activities of which, it is reported, affect jute in all its stages. The aims of the Association are stated to be—

- (1) to provide a good hedging market to the merchants,
- (2) to secure the interests of the cultivators by bringing them a fair return for their produce, and
- (3) to counteract the combination of the shippers and the mills.

The Association provides for three settlements only during each jute season, viz., in September, December and March. Transactions for December settlement are started in August, for March settlement in November, and for September settlement in February. If a futures market in jute is properly regulated we think that it is likely to stabilise the market price. No such market will justify its existence in this province if it acts in any way adversely to the interests of the cultivators. A futures market should not jeopardise the agricultural interest, for, "the essentials for a satisfactory hedging market are (1) a continuously liquid market, one where contracts may be executed at any time, (2) a broad market, one that will permit the purchase and sale of a comparatively large volume of goods with a minimum of fluctuation in price, and (3) a market in which all interested in the trade are properly represented, so that prices are made to move as nearly in accord with supply and demand conditions as possible." Such being the constitution of a sound futures market, the benefits of such an institution should go to all the parties interested in the particular trade. The East Indian Jute Association,

as it is constituted at present, does not satisfy all the above tests and the representation of agricultural interests in it is very remote. We recommend that a properly organised futures market should be established by legislation.

191. Financiers for marketing produce.—At present the inter-district and inter-provincial trades of Bengal are practically financed by the traders themselves who are mostly Indians. The transactions are often carried on a cash basis for which occasionally the traders obtain loans from mahajans and indigenous bankers on handis. Practically, no facilities are available from the local banks except in places where the latter choose to make advances against railway receipts. Even the distributive trade in imported articles like piece-goods, salt, kerosene, corrugated iron, etc., is financed by a few big importing firms in Calcutta who make over the goods to their selling agents in important trade centres allowing them temporary credit for about a month or so. The goods are then passed off by the latter to dealers in the mufassal. In big trade centres, the retailers often obtain commodities from the wholesalers on cash credit.

192. The export trade of the province is financed practically by the mercantile firms of Calcutta who have purchasing agencies or branch offices in the mufassal trade centres. Where the purchasers act on their own account and their funds run short they either take loans from mahajans or where possible obtain advances from aratdars. The facilities which the banks provide for financing such trade are not large.

193. Part played by different classes of banks, bankers, money-lenders, merchants and dealers.—In the primary markets, it is the money-lenders and merchants who provide financial facilities for the movement of crops. The money-lenders provide the farias and beparies with loans, when necessary, while the merchants have purchasing agents to whom they make advances from time to time. This method of financing is followed in respect of practically all the principal crops, especially jute and tobacco. In the rice trade, the aratdars play the most important role occupying practically the same position as that held by the merchants in the jute trade. For trade deals in tobacco, the Arakanese and Madrasi merchants make advances to the local aratdars for purchasing on a commission basis. The dealers carry on a considerable volume of business in the big trade centres allowing cash credit to retailers. The activities of banks and bankers are mostly confined to trade in jute. A European firm in the mufassal or in Calcutta, acting either as an independent concern or as an agent of some Calcutta mill or shipper, is not much hampered by lack of funds. He is financially strong and has the privilege of drawing the full value of the goods against a railway receipt or bill of lading from a branch of the Imperial Bank where it exists. He gets buying orders from Calcutta mills on commission and draws against the bills of lading from the Imperial Bank. Buying for forward shipment by the mills is also done exclusively through him, and under this system he buys jute and stores in his mufassal godowns on mill account to be exported later on as arranged; in some cases the mills finance such buying and in other cases he raises money from the Bank by the hypothecation of the goods. An Indian merchant has none of these advantages and often suffers from invidious discriminations made against him when he chooses to act independently in the matter of transport of the jute. The Bengal National Chamber of Commerce

has pointed out in their memorandum that the mills do not make any advances against bills of lading issued by the Indian steamship companies and that sometimes they even refuse to accept tender of jute when carried on vessels belonging to an Indian company. The Indian merchant has, therefore, to depend primarily on his own resources or on the accommodation he can obtain from the indigenous bankers. He remits the money, either his own or obtained from indigenous bankers against hundi, to the various trade centres in the mufassal through the agency of the Imperial Bank, if it has a branch there. In other places, he has to remit the funds through post office or by railway. This necessarily involves some delay and risk. The Indian merchant cannot even draw against his sales to the mills on the Imperial Bank of India where a branch office exists, as his sales are generally effected through European brokers as principals who pay him on realisation from the mills. The European broker receives cent. per cent. from the mills against a railway receipt or bill of lading given to him by the Indian merchant, but as a rule he pays the merchant only 90 per cent. of the value of the goods less brokerage commission of $1\frac{1}{4}$ per cent. The Indian merchant is thus handicapped not only on account of 10 per cent. of the value getting blocked on every transaction but also for the delay caused in receiving payment. He has to pay brokerage at the time he receives 90 per cent., whereas a European pays 1 per cent. only, when he has to pay any, several months after he receives the full value of the goods.

194. At present the jute balers in Calcutta obtain advances from joint-stock banks on the security of their stock lying in their press houses. We think that similar facilities will be available to merchants in the mufassal if licensed warehouses be established in all the important trade centres. The local banks may in such cases find it safe to make advances against the jute stocked in warehouses under proper grade specifications. If proper storing and financial facilities be available to the Indian merchants, the latter will not be compelled to sell their jute immediately after purchase, which has often the effect of depressing the price in an already slump market. Evidence has been obtained stating that the jute which is imported into Calcutta by Indian merchants for sale to the balers is carried to the markets at Hatkhola, Cossipore, Ultadingi, Fulbagan and Shambazar where the storing facilities are neither adequate nor satisfactory. We fully endorse the suggestion made for the removal of this difficulty by the establishment of organised markets with an adequate number of licensed warehouses. It will enable the sellers to hold out their stock for better prices if they elect to do so, and the banks would find it easier to advance money against the receipts issued by such warehouses.

CHAPTER VIII.

Credit for Internal Trade including Distribution of Imported Goods.

195. **Organisation of internal trade.**—The internal trade of the province may be divided into the following six categories:—

- (i) Distribution of foreign imported goods from Calcutta and Chittagong.
- (ii) Distribution of imported goods from other provinces.
- (iii) Movements of the products of the province to the ports for export.
- (iv) Movements of the products of the province for export to other provinces.
- (v) Intra-district distribution.
- (vi) Trade in local products for local consumption.

Of these items (i), (iii) and (vi) are by far the most important. Trading firms in the province are mostly proprietary concerns and partnership organisations. In recent years a few joint stock companies and co-operative organisations have come into existence for trading purposes, but as yet their importance and activities are strictly limited, excepting perhaps in jute and to a small extent in rice.

196. The distribution of foreign imported goods from Calcutta and Chittagong takes place exclusively through wholesale merchants of the ports. The wholesale merchants are sometimes themselves importers, but more often they buy from importing houses. Their goods lie in their own godowns or in the godowns of banks or of the Bengal Bonded Warehouse and sometimes also in the Port Commissioners' warehouses. A few of the Calcutta wholesale merchants have branch establishments in important mufassal centres where they send goods according to requirements, but generally mufassal buyers come to Calcutta for purchasing from the wholesale merchants. After one or two transactions on cash basis, credit is allowed to the mufassal merchants, the extent of which depends on the financial position of the buyer, while the duration is different in different trades. The wholesale merchants naturally include in the price the interest for the period of the credit. Smaller mufassal merchants prefer to trade with their own resources. In Calcutta also, the wholesale merchant relies mainly on his own resources and only when these prove inadequate will he borrow from an indigenous banker or a bank on a hundi or a purja. The mufassal merchant in his turn grants credit, whenever necessary, to the retailers in his locality, whose transactions are also on both cash and credit basis. Another practice is for the Calcutta aratdars to supply their mufassal clients with imported goods as they want, on commission basis. When the Calcutta aratdar acts both as the buying and selling agent for the mufassal merchant, the latter's account is credited for the goods he consigns and is debited for his purchases, this account current being settled periodically, generally once a year. Imported goods consist mainly of piece-goods, salt, oil, hardware, etc.

197. Fairly large quantities of agricultural commodities and to a smaller extent, mineral products (oil from Assam and Burma), dairy products (ghee from Orissa, Bihar, United Provinces and Madras), manufactured goods (piece-goods from Bombay) and oil (from Cawnpore) are also imported from neighbouring provinces for consumption in the province. Most of the commodities are brought to Calcutta, Chittagong and Narayanganj and are distributed in the districts in the same way as the foreign imported goods. In some cases distribution also takes place from important centres adjoining the provinces from which these goods come. The transactions in the latter case are mostly on a cash basis.

198. Commodities destined for export or for consumption in the ports are moved from the mufassal centres by local merchants or by purchasers from Calcutta who buy from the prime producers in some cases direct, but more often through intermediaries. The local merchants sometimes trade with their own resources, but they often also arrange for finance from aratdars in Calcutta who act as their selling agents. Purchasers from Calcutta sometimes buy on their own account with their own funds or with funds borrowed from bankers in Calcutta, but they also frequently work as agents of Calcutta firms who finance them; when finance is arranged from Calcutta, the goods are consigned direct to the aratdars or to the principals and the latter arrange for further remittance to the local merchant or the agent in the mufassal as required. When there are indigenous banking institutions in any centre, as in Dacca, the mufassal merchant or the agent draws a hundi on his Calcutta aratdar or principal and discounts it with the local banker at the same time tendering the bill of lading along with the hundi. The indigenous banker sends the hundi and the bill of lading to his Calcutta office, which hands over the latter to the drawee, on payment of the hundi. When, however, the local merchant or the purchaser from Calcutta trades with his own resources, he may send the goods to any aratdar in Calcutta who will advance a certain percentage of the approximate price against the bill of lading. The Calcutta merchant or the aratdar tries to dispose of the goods, if they are not already sold, before arrival by selling the bill of lading, but when he cannot, he stores them in his godown. In the case of jute, handled by the co-operative jute selling organisation, the procedure is slightly different.

199. The volume of trade in agricultural commodities from Bengal to the adjoining provinces is not large, excepting between the north-western districts and Bihar. This trade is direct, but all movements of the products of the province towards Bombay and other distant provinces, pass through Calcutta and are effected as in the case of goods destined for export.

200. There is also a large movement of commodities, mainly agricultural and to a small extent the products of cottage industries from one district to another for consumption. The trade is mostly direct, the buyers purchasing the commodities from the collecting centres. Transactions are all in cash in such cases.

201. There is no particular feature of the trade in local products for local consumption. The producers have little holding capacity and

they market their products as soon as these are ready. The local merchants stock the seasonal non-perishable products with a view to sell them at higher prices in the off-season. These people trade with their own funds.

202. Existing credit facilities.—As can be seen from the above, credit facilities for internal trade of the province are of an extremely limited nature and negotiable instruments are very seldom used. The accommodation required by wholesale dealers of Calcutta is obtained generally by borrowing on hundies, i.e., on personal credit. These merchants also grant credit to their clients in the same way. In the movement of the products to the exporting centres credit can similarly be obtained only on personal security. In rare cases when there are convenient banking institutions, the bill of lading can be used as security for discounting the hundi drawn on the Calcutta agent. All other transactions in the internal trade are on cash basis.

203. Further facilities required.—It is obvious that extensive credit facilities are needed if the internal trade of the province is to be carried on in a satisfactory way beneficial to all parties concerned and hence to the trade itself. The credit facilities necessary for the purpose can be divided into three categories :—

- (i) For goods stocked either in Calcutta or in mufassal before sale or despatch,
- (ii) For goods despatched from mufassal to Calcutta during transit, and
- (iii) For goods sold on credit.

At present a limited amount of accommodation may be obtained for class (i) from aratdars or banks, but the form of credit is crude and unsatisfactory from every consideration. The best way by which credit under such conditions may be secured is by the establishment of licenced warehouses, as suggested in paras. 183 and 233 in which the goods can be stored and whose receipts can be utilised for raising funds, if necessary. Accommodation in cases under (ii) can be obtained only if there are adequate banking facilities in mufassal centres. If the local indigenous banker or the loan office has an agent or office in Calcutta, the merchant despatching the goods may be able to draw on his Calcutta principal and discount the hundi with the bill of lading attached with the local banker and get payment there. The local banker would then send the hundi and the bill of lading to his Calcutta agent who would hand over the bill of lading to the drawee against payment of the hundi. The best arrangement for sale of goods on credit, i.e., for (iii) is the introduction of trade acceptances discussed in Chapter X. As stated there, an immense improvement will result if for commercial debts and in transactions between wholesale and retail merchants, the practice of drawing bills to be accepted by the debtor grows up. The creditor will then be in a position to get payment whenever necessary by discounting the bill; the debtor will be benefited by the lowering of the rate of interest for the period of accommodation, while the banks will own perfectly safe and liquid securities realisable at any time by rediscounting them. It is, of course, obvious that many incidental modifications in the Indian Negotiable Instruments Act are to be effected if the experiment is to be successful.

204. Credit facilities for miscellaneous occupations.—Credit facilities for miscellaneous occupations outside those furnished by co-operative associations for certain class of undertakings do not exist in the province. There is no association or institution which would finance an individual to take up a definite occupation. Accommodation in such cases can only be obtained on the personal credit of the borrower or on the guarantee of a solvent third party. It is doubtful whether in the present state, educational and economic, of the country, arrangements can be made for such credit facilities, although the need for institutions offering these facilities is greater than ever owing to the growing unemployment among the middle class population.

205. Consumers' credit.—If credit is necessary to provide a man with the implements for work, it is equally so to provide him with food while he is waiting to earn. Credit for consumption may be objectionable on principle, but considering the fact that the income of the majority of the population of the province is intermittent, it is indispensable that credit should be arranged for consumption. Credit for consumption is in fact practised on the largest possible scale by all classes of population. Sale on credit with periodic settlements is in vogue everywhere in the province and for almost all commodities, although for articles of daily consumption and for small values there is not much justification for the procedure in normal times; for goods of slow consumption and high price, sale on credit is the only means by which the ordinary purchaser can buy. In Calcutta, the hire-purchase system or the instalment payment system (modified form of sale or credit) is steadily growing in popularity for certain classes of goods like furniture, motor cars, etc., but in the mufassal the system is almost unknown excepting in a few important centres where sewing machines and one or two such articles are offered for sale on hire-purchase or the instalment payment. Mufassal people buy few costly commodities of slow consumption and the need for hire-purchase system is not keenly felt there; in Calcutta, however, there is a vast scope for organisations in this direction, particularly in offering to middle class population facilities for acquiring houses and other tangible assets.

206. Pawn-shops also come under the category of institutions which make advances, not for production but for consumption. There are a few such institutions in Calcutta, particularly in the Anglo-Indian quarters; the volume of business they handle show that they really answer to a social want. In mufassal there are no regular institutions devoted exclusively to the work, but in every village and town, a class of lenders can be found who do this business. The rates of interest for these loans are necessarily lower than that for unsecured debts, but still they are high when the margin and the security are taken into account.

CHAPTER IX.

Industrial Credit.

207. **Introductory.**—In this brief survey of the conditions of industrial finance in Bengal we have confined ourselves to small and middle-sized industries. In one instance only we have deviated from this principle, viz., in the examination of the tea industry which, in respect of both magnitude and organisation, can be treated on a par with many of the large organised industries. This deviation was made, not only because it is one of the most important industries in the province, but also because the list of the large organised industries, which were reserved for the investigation of the Central Committee, did not include tea. We have further enquired into the conditions of various cottage industries not subsidiary to agriculture and also examined the replies to questions specially framed for eliciting information regarding the middle-sized industries. As the latter are in many cases fairly organised, we have included only those which employ working funds of not more than five lakhs of rupees in order to distinguish them from the large organised industries. We have concluded with a few observations on small industries which are subsidiary to agriculture.

208. **Tea.**—Next to jute, tea is the most important industry of Bengal. The principal tea gardens in this province are situated in the Himalayas and the country immediately below the mountains in the districts of Jalpaiguri (Duars) and Darjeeling (Terai). There are also a few tea gardens in Chittagong and the Chittagong Hill Tracts. The number of gardens on the 31st December 1928 was 169 in Darjeeling, 144 in Jalpaiguri, 26 in Chittagong and 1 in the Chittagong Hill Tracts. The gardens are owned and controlled, some by Europeans and some by Indians, although the former represent by far the largest interest, both in regard to the number of gardens and the amount of capital invested. The industry was first started by Europeans towards the close of the third quarter of the nineteenth century, the Indians coming on the field five years later in 1878. Of the tea grown in the province, the Duars produce about 73 million pounds while Darjeeling about 21 million and Chittagong only $1\frac{1}{2}$ million.

209. Among the gardens, those owned by companies registered in England experience no difficulty with regard to finance as they had been started in most cases with adequate capital raised from shares both preference and ordinary. A few of them have in addition issued debentures. Practically all of them have the further advantage of obtaining easy accommodation from many non-Indian joint stock banks, whenever necessary.

210. The Indian-owned gardens are owned mostly by joint stock companies but a few of them belong to individual proprietors also. The share capital of the former and invested capital of the proprietors of the latter are insufficient for all the financial needs of the gardens and they have both to borrow.

211. The nature of the industry demands large initial capital expenditure on acquisition of land, laying out the garden, construction of buildings and quarters and purchase of machinery. It is not till after the expiry of at least four years that production commences and income

begins to accrue. The minimum size of a garden on a commercial scale is five hundred acres for which the initial outlay is estimated at 7½ lakhs of rupees, including a lakh for the purchase of machinery and another lakh for securing the land. The whole of the heavy expenditure cannot be met from the share capital raised. Some of the Indian companies take an admission fee of Rs. 20 or Rs. 25 per share from each share-holder, and some others insist on similar contributions under the name of deposit. No interest is paid on them and they are generally refunded to the share-holders from the early profits before dividends are paid. These fees or deposits are usually spent on the acquisition of land. The company gardens have to borrow for most of the other initial expenses. The individual proprietors generally commence their operations on a more modest scale and rely on their own resources for all capital expenditure. But there are some who have to borrow for this purpose. Loans for capital expenditure are also required for development and renewals by well-established old gardens. All loans for non-recurring purposes are obtained from loan offices, money-lenders or Marwari bankers on the personal guarantee of the proprietor or the directors or on mortgage of the gardens. The rate of interest payable on such loans varies from 9 to 12 per cent. when the money is obtained from loan offices, and from 12 to 21 per cent. when it is taken from bankers and money-lenders. Sometimes the funds required at the time of opening the gardens are supplied by the directors or promoters themselves but they cannot altogether dispense with the need for taking loans from other sources.

212. Two companies at Jalpaiguri have built up such substantial reserves that they are now able to meet their current requirements without any extraneous help; but all others have to take loans for meeting their recurring expenses of cultivation and manufacture. These are advanced against hypothecation of the crops. The annual crops are generally hypothecated at the beginning of the year with a few firms of brokers and agents in Calcutta, who supply the funds themselves or arrange on their guarantee for cash credit with the Imperial Bank of India and occasionally with other European banks, such as the Chartered Bank. Loans are also taken by some Indian gardens from the Jalpaiguri Trading and Banking Corporation, Ltd. and a few other loan offices in Bengal which make advances against hypothecation of crops without any personal guarantee of the directors or any other third party, or on mortgage of the garden. Loans from bankers and money-lenders are obtained either against the personal security of the directors or on mortgage of the garden. They do not make any advances against hypothecation of crops and the rate charged by them are usually higher than those of banks and loan offices, varying from 9 to 25 per cent. It is reported that in one company loans are taken from share-holders. Among the banks which provide finance against such security the Imperial Bank plays the most important rôle. The Bank is debarred by the Act of 1920 from making any advances against block and so its loans to the gardens usually take the form of advances against personal guarantee of a broker with the hypothecation of crops as collateral security. The Bank charges 7 per cent. interest and the broker's charge is 1 per cent. on the gross sale proceeds, including brokerage and other expenses in connection with the sale. The sale proceeds are in the first instance employed in paying off the loan and broker's commission and the residue is credited to the garden.

213. Some of the gardens are financed largely by financial and sales agents. They do not participate in the actual management of gardens and their services are practically confined to providing the requisite funds and arranging sales of the produce. At present Messrs. Martin & Co., are acting as such agents of 18 Indian gardens in Jalpaiguri. The firm charges a commission of $2\frac{1}{2}$ per cent. on the gross sale proceeds plus interest varying from 8 to 9 per cent. on the annual advances. The advances are made by the firm out of their own funds against mortgage of gardens, buildings and machinery in the cases of new concerns and against hypothecation of crops in established gardens. In some cases, where stores, implements, machinery and building materials are purchased by the gardens through the firm it charges the usual commission of 2 per cent. The gardens are, however, free to purchase their requisites in the open market or through other agencies.

214. The existing financial facilities enjoyed by the tea gardens appear to be sufficient. We have however been unable to understand why no serious attempts are made for building substantial reserves, when such high dividends as 50 to 150 per cent. are paid. If the dividends be limited to say 15 per cent. for a few years, and the rest of the profits carried to the reserve, most of the gardens will be able to accumulate a sufficient reserve fund for meeting their annual recurring expenses from this fund. Borrowing will then be unnecessary and the interest on loans saved. The result will be larger dividends in future.

215. **Middle-sized industries.**—Bengal contains a very large variety of middle-sized industries, such as mills for husking rice, pressing oils and grinding wheat and bricks, hosiery and match factories, printing presses, soap and chemical works, tanneries, iron and brass foundries, engineering works, etc. The bulk of these has been established in and round Calcutta, probably owing to the fact that the city itself provides a ready market for their output and also because of its position as the most important distributive centre in the whole province. Most of them are sufficiently organised and large enough to be brought within the category of a factory as defined in the Factories Act of 1922.

216. These industrial establishments are owned in most cases by individual proprietors or partnerships but some of them belong to joint stock companies. The former have to depend on their own resources while the latter obtain their finance primarily from share capital. The capital thus raised is hardly ever sufficient to meet the requirements of the industries and both these classes have to depend on borrowed funds. The initial capital is almost always exhausted in setting up the factory with the necessary equipment and loans have to be taken for meeting the deficiency in the working funds. These loans are obtained with great difficulty by the Indian industrial concerns and on terms which seriously handicap them in carrying through their operations. Sufficient credit facilities are at present not available from banks, which do not usually entertain any proposal for making advances either against block or against stock of raw materials or finished goods. Only a few Indian joint stock banks are reported to have granted loans to industrial firms against the personal security or guarantee of the directors supplemented by stock as collateral security. The rates of interest charged by some such banks appears to be too high for industrial purposes ranging

usually from 15 to 18 per cent. The Imperial Bank being debarred from making advances for a period exceeding six months cannot render substantial assistance to the industries, and the loans so far granted to them by the Bank are far from being commensurate with their requirements in regard to both the amount and the period of the advances. Some advances also are made by a few Indian joint stock banks against bills for goods supplied to Government departments or institutions, public bodies or railways. For such advances the banks charge interest at 1 per cent. over the bank rate, but some banks charge so much as 12 per cent. plus 1 per cent. commission, for collections. Even these loans are not easily available to all the industrial concerns for the banks make such advances sparingly. The industrial concerns have to depend largely on the accommodation provided by the money-lenders and indigenous bankers. The accommodation provided by these bankers usually takes the form of advances against hundis by the owners in their personal capacity. They have to pay a very high rate of interest for such loans ranging usually from 15 to 36 per cent. per annum. We have received evidence that in one case the directors of an industrial concern obtained loans from such a banker by pledging their personal properties and insurance policies. The rate of interest charged for such loans varies from 10 to 18 per cent. In some cases, loans are also obtained by the directors and proprietors from their friends and relations, but such advances are quite insignificant in amount and can hardly be reckoned as a dependable source of accommodation.

217. We are satisfied from the evidence that on account of the absence of suitable financing agencies, industrial concerns in Bengal are not flourishing. Many are failing and others are compelled to curtail their activities. It appears imperative that some method should be devised to ensure the stability and development of such industries.

218. The existing joint stock banks, though distinctly commercial in character, render some assistance to the industries by financing of the imports of materials used in manufacture by the industrialists. The banks clear the D. P. Bills endorsed in their favour by the importing manufacturer, take delivery of the consignments, hold them in stock in their own godowns and allow the importer the privilege of taking part delivery from time to time against cash payment. Thus they considerably lighten the burden now put on the manufacturer of meeting large cash demands for stocks of materials purchased at wholesale price. A proposal has been put forward by a witness interested in a Chemical Company that such assistance should be given much more freely. We approve of this proposal and think that the joint stock banks should take much greater advantage of this legitimate channel of investing their funds and thus render more valuable assistance to the industrialists. At present the ordinary joint stock banks do not employ experts to make valuation of the goods against which advances are sought by the manufacturers. They can, however, safely make such advances, if the task of valuation be taken up by some reliable agency, and suitable provision be made to insure them against any incidental loss.

219. For a systematic and regular method of financing industries, it appears to be essential that a special type of industrial banks should be organised to help the middle-sized as well as the large industries. These banks will find ample scope for their resources in granting loans

to the middle-sized industries against block. Such loans which must be for long periods are not available from the ordinary joint stock banks who refrain from making advances against block or for long periods. The character of the organisation, constitution and management of such banks will have to be determined after a careful examination of the requirements of the large organised industries for whom they are principally intended. We are, however, of opinion that whatever the constitution of such banks may be, their success will depend largely on the financial assistance they may obtain at the hands of the Government, either directly or in the way of a guarantee of a minimum dividend or the interest on the debentures.

220. Until such banks are established it is necessary that arrangements should be made to render immediate relief to the struggling industries through some measure of direct State assistance. A State Aid to Industries Act should be passed in this province without any further delay similar to the Acts passed in Madras and Bihar and Orissa with modifications on more liberal lines. A few losses incurred by the operation of the Acts in Madras and Bihar and Orissa may create the impression that such Acts are not likely to yield valuable results. We are, however, of opinion that although an Act of similar nature in Bengal may not find a permanent solution of the general problem of industrial finance it may in its own way help the growth and development of particular industries.

221. **Cottage industries not subsidiary to agriculture.**—The problems faced by the cottage industries relate not only to their proper finance but also to the marketing of their output. The artisans who do not co-operate have to take loans at high rates of interest from the money-lenders and are thus deprived of a large share of their profits. They cannot avail themselves of the advantage of any distant markets in which their products can be sold on better terms than locally. The salvation of such industries lies in co-operation. By co-operative methods only can the cottage worker be supplied with cheap and facile credit for the purchase of his tools and raw materials and his finished products disposed of in the best possible markets. The societies should be organised on an extensive scale, a certain number of primary societies being combined in a central financing union and the unions federated into the Provincial Co-operative Bank for financing and into another provincial organisation in Calcutta for wholesale purchase and supply of materials and for collection and sale of finished articles. There are a few industrial unions already in existence chiefly for the benefit of the weavers and there is also a central sale depôt in Calcutta. The movement, however, has not made sufficient progress at present and it is desirable that such societies should be increased in large numbers all over the province with union organisations in all centres of industrial importance. The Department of Industries should with greater earnestness address itself to the task of improving the technical skill and methods of production of the artisans and the movement for co-operative organisation should be encouraged by all possible means through closer co-ordination between that department and the Co-operative Department.

222. It has been pointed out by several witnesses that the existing co-operative industrial unions are not getting sufficient financial facilities from the Provincial Bank. We think that the Government should undertake greater financial responsibilities to foster the movement and

endorse the recommendations made at the Conference of the Agricultural, Industries and Co-operative Departments held on the 12th July 1922, which are applicable with equal force to the present conditions—

"1. Government financial assistance should be available on behalf of industrial societies in the form of (1) loans, (2) grants, (3) guarantees.

"2. *Loans* will be issued to:—

"A. Financing authorities, e.g., unions and central banks. In these cases the object for which the loans are issued would be specified in the application and the central bank or the union would be under an obligation to supply the money to the industrial societies as specified, retaining only a profit to cover their charges for handling the money.

"B. To industrial societies, on the recommendation of the Registrar.

"3. *Grants*.—This should only be necessary for industrial co-operative societies for operations of an experimental nature or for purposes of demonstration and would normally be made on the recommendation of the Industries Department which would be satisfied that the grant was necessary and justified. Financing bodies or the Registrar would, therefore, address the Industries Department with a view to securing the recommendation of the Industries Department.

"4. *Guarantees*.—These would only be necessary for industrial co-operative societies for operations not necessarily of an experimental nature but for operations in a new direction where it might be considered that the public advantage from the success of the operations would be considerable, and would normally be made on the recommendation of the Industries Department in the same way as grants. The guarantee would be to the body financing the industrial society.

"(i) Normally the financing of co-operative industrial societies should be through the form of a union of the Bankura Union type.

"(ii) Subject to the above where there exist only a limited number of societies, particularly when scattered, with no immediate prospect of expansion and consolidation, central banks should be prepared to finance these industrial societies.

"(iii) It is desirable that the central banks which finance industrial societies should form a special sub-committee to give attention to these societies, but it should be clearly laid down that the supervision exercised by this sub-committee must not lead it to interfere directly in the management of the affiliated society.

"5. *Methods of supply*.—The union should normally finance its affiliated societies by the advance of raw materials and implements. Cash advances are undesirable. Of the systems of business between the union and its societies it is considered that the *bani* or wages system is preferable but it is realised that this cannot be insisted on in all cases.

"6. *Financial assistance from a central bank* should normally take the form of advances of raw materials. Cash advances should not be resorted to except in cases in which it is absolutely essential to free the members of an affiliated society from the mahajan and where it is clearly ascertainable that adequate repayment can be made from the profits of the members concerned. In this case a duty would devolve upon the society to see that the Mahajan is paid off. Cash advances, however, on the security of the finished products as contrasted with

cash advances in the first place for production are not open to the same objection although it is generally desirable that all advances should be in kind.

"7. *Disposal of products.*—This is naturally the work of the industrial union. It is recommended however that a central bank should not undertake this activity except where it is satisfied that it has an exceptionally competent sub-committee for this purpose, or where the industrial society is incapable of satisfactorily disposing of its products.

"8. It is recommended that the Bengal Provincial Federation, Limited, should restrict its activities to general financing for the present, as its sub-committee could not have the degree of local knowledge requisite for the consideration of financing local concerns. There would be no objection to the Federation financing a union or central bank with a view to the resources so supplied being utilised by the union or central bank for financing purely industrial societies." (Page 61, Minutes of the Conference of the Agriculture, Industries and Co-operative Departments, 1923.)

223. **Cottage industries subsidiary to agriculture.**—The cottage industries subsidiary to agriculture do not give the agriculturists full employment during the whole year, not because of want of opportunities but often on account of a distinct lack of ambition to earn more than can be got from agriculture alone. In some cases again the traditional subsidiary occupations that they were used to, have been lost by the severe competition of cheap articles produced by large factories both in India and abroad. Among such occupations as still subsist the one most extensively in vogue is the husking of rice by the crude wooden apparatus called *dhenki* which is generally carried on by female members of the peasant families. Two other important though somewhat less widely prevalent industries are cotton spinning and weaving and the making of gur. Cotton-spinning and weaving by charka and handloom which were very common subsidiary occupations in the past and were at one time threatened with total extinction by competition of cheap mill manufactures are growing popular again, although they have not been able to regain their former position. There are other subsidiary industries like silkworm-rearing, rope and basket-making, mat-making, etc., which are carried on in localities specially suited to such industries.

224. These subsidiary occupations being carried on at present on a modest scale do not require much outside financing. The cultivators generally carry on such operations within their limited financial capacity. If they have to borrow at all they have no other source than the village money-lender or rural co-operative society from whom loans are taken for agricultural and personal requirements.

CHAPTER X.

Remittance Facilities and Instruments of Credit.

225. **General observations.**—The primary requirement for the expansion of banking organisation in any country is a well-organised money market with a central bank at its head to control credit as well as the currency policy. No credit system can function properly unless the banking reserves of the country are centralised and the mobility of credit is secured through negotiable credit instruments. As is too well known, there has been as yet no effective control of the credit situation in India by any authority; a preponderatingly large portion of the commercial and financial transactions in the country is in the hands of the bazar dealers and so remains outside the control of the Imperial Bank as it is constituted at present or of the Government. The defects of the existing system are obvious. Producers cannot derive any benefit from credit and are dependent mainly on their own resources; when in need of accommodation, they have to borrow at rates which bear no relation with the so-called bank rate of the country. Banks in the absence of liquid investments are compelled either to keep in their vaults large sums which are absolutely unproductive or to lock up their assets in advances against Stock Exchange securities, which can be realised only with extreme difficulty in times of emergency. The remedy lies in the development of credit instruments and the establishment of a central bank which will foster the growth of credit organisations and bring about greater cohesion among the component parts of the money market of the country.

226. **Credit instruments in use in the province.**—The credit instruments in use in the province are:—

- (a) Cheques, bearer and order, bank drafts.
- (b) (i) Hundis, sight and time (usance).
(ii) Bills of exchange—bank and trade acceptances (sparingly used).
- (c) Pro-notes and purjas.
- (d) Railway receipts and bills of lading.
- (e) Hessian delivery orders, warehouse receipts, etc.

227. Of these, cheques, hundis, railway receipts and bills of lading constitute the majority of the documents.

228. **Cheques and Drafts.**—Cheques are mainly used for local payments, but sometimes payments in neighbouring places are also effected through them. Bank drafts are taken recourse to when funds are to be remitted to a distant centre or to places served by such a centre.

229. **Hundis.**—Hundis are utilised for remittance (sight or darshani) as well as for borrowing (time or muddati). These latter papers, the muddati hundis, by far the most numerous of the indigenous documents, have no reference in their body to the transactions on which they are based. They may be simple accommodation papers or

may be based on some bona fide commercial transaction. The lender, when buying hundis, relies only on the personal credit of the borrower and does not care to know whether the amount is going to be used for productive or unproductive purpose. When these papers are rediscounted by the banks, the latter also count on the personal credit of the endorsing shroffs and not on anything else. In actual practice a hundi approximates a cheque more than any other kind of a bill. Hundis do not strictly come under the Negotiable Instruments Act because they are almost invariably saddled with conditions which have to be satisfied before the payment is made, but they are governed by time-honoured customs and the usages of the various localities. In actual practice they are easily negotiable, but they are not considered to be negotiable instruments within the meaning of the Act. Specimens of different kinds of hundis in use in Bengal are printed in Appendix X. (See also in para. 384).

230. Bills of exchange in the shape of trade acceptances.—Trade acceptances (bank acceptances are everywhere used for foreign trade), although ideal credit instruments and extensively used in all countries for financing internal trade, are almost unknown in the province. On account of the joint liability of the bearers, the bill constitutes the best credit instrument transferable by endorsement and without formality. Between merchants (primarily between wholesale and retail) and for commercial debts, the creditor should be able to draw on his debtor a bill not exceeding the amount of the debt and the debtor should be bound to accept it. The creditor would then be able to discount the bill and secure funds for further productive work. The creditor here, instead of drawing, charges interest at a comparatively high rate for the period of the credit and waits for the payment. If in the meantime he is in need of accommodation, he has to borrow from the indigenous banker or the joint stock banks on his own credit. As is evident, the debtor pays a high rate of interest; the banker also does not hold any liquid security against his advance, which he could realise in case of need. It may be contended that a trade acceptance to be eligible for discounting as a commercial bill must be supported by documentary evidence of the transaction, but this is not indispensable. In the domestic trade of every country, clean bills are accepted for discount in the money market and for rediscount at the central bank if the bank is satisfied as to the origin of the bill. On the continent of Europe the word "value in goods" mentioned in the body of the bill is held as sufficient proof while in the United States of America if a bill, submitted for rediscount to a Federal Reserve Bank, be not drawn so as to furnish evidence of a bona fide commercial transaction, a stamped certificate by the drawer or the acceptor makes it eligible for discount. In any case the bank or the banker is in a position to find out the exact nature of the bill and if he gives preference to such bills in matters of discount, the practice of drawing bills will soon develop to the immense benefit of all parties concerned.

231. Pro-notes.—Pro-notes are mainly used for ordinary borrowing and are only sparingly used in the province for commercial transactions. It is not desirable to encourage the use of these papers in trade. Owing to the special and personal character of the obligation, the pro-note constitutes a less desirable instrument of credit than a draft and is not negotiable. The pro-note does not offer a certainty that the proceeds from its discount will be actually used for productive purpose and

commercial operations. It is an instrument more of a financial than commercial character. The indigenous bankers do not prefer it as, apart from other shortcomings, the interest cannot be deducted when the loan is made. They prefer purjas which have been described in para. 387.

232. Railway receipts and bills of lading.—Railway receipts and bills of lading are extensively used in financing the movement of crops, particularly from upcountry centres to Calcutta. When the merchant despatches the goods which he has purchased to his agent or aratdar in Calcutta, he draws a hundi on the latter and discounts it with the local banker, where any such exists, at the same time tendering the receipt with the hundi. The Calcutta agent of the banker hands over the receipt to the drawee on payment. More often the merchant has taken advance from the aratdar himself, in which case he simply sends the receipt to the latter, who tries to dispose of the consignment before it arrives by selling the document. If the goods are sent against a contract, the aratdar simply hands over the receipt to the buyer after receiving payment, as stipulated. The receipt may change hands many times before the goods are actually taken possession of.

233. Hessian delivery orders, warehouse receipts, etc.—Hessian delivery orders constitute an important class of credit instruments in Calcutta. They are readily bought and sold and are extensively used as security against over-drafts or other forms of accommodation from bankers. Receipts of the Bengal Bonded Warehouse and also of the Port Commissioners' warehouses are to a limited extent used as security for raising funds in Calcutta, but by far the greater portion of the goods arriving in Calcutta for export or waiting to be distributed in the province, are stocked in such a way that it is difficult to raise money by pledging them. In mufassal centres there is no arrangement by which goods can be offered as security for loans. Certain joint-stock banks of Calcutta used to advance a few years ago on the security of the stock of the aratdars and even to-day the Imperial Bank lends in that way to some European houses, but so far as the Indian merchants are concerned, those facilities have ceased to exist and the aratdars have to borrow on their personal credit to make advances to the owners of goods stored in their arats. The owners are thus in a position to wait till they get a good price for their goods, but this restricted form of assistance is available only in Calcutta and to a smaller extent in important mufassal centres and even then the process is crude and the owners are frequently at a disadvantage and at the mercy of the aratdars. Most of the witnesses who tendered evidence on the subject advocated the establishment of licensed warehouses in important mufassal centres, under strict Government control, where an owner could deposit his goods and get a receipt on the security of which he can raise funds, if necessary. Such organisations have proved successful in Egypt, particularly in strengthening the holding capacity of the cotton producers, and there is no reason why these should not be of real assistance to the agricultural producers of the province, if conducted on right lines. The difficulties of management are obvious. All important agricultural commodities are to be graded first and there must be experts in every warehouse to appraise the quality of goods deposited. The accommodation must be adequate and provide against theft, fire and deterioration by damp or otherwise. Then the local banks or bankers must be persuaded to accept these receipts as security for the

advance they make. It is difficult to judge at this stage whether storing of produce in these warehouses, after paying the necessarily high cost of storing, insurance, etc., will be beneficial to the producer in the long run, but the experiment is well worth trying, although its success will depend mainly on private initiative.

234. Debentures, certificates and similar other documents maturing within a short period, are utilised in many countries as negotiable instruments for raising funds by discounting them and not by depositing as security, but so far as this province is concerned, instances of such operations are rare.

235. **Reduction of duty on bills.**—The existing scale of stamp duty on bills of exchange, including hundis, is undoubtedly high and almost all witnesses have advocated a reduction. Self-liquidating bills and hundis drawn against goods in the last stages of production or on the way to the market provide the best possible investments for banks and, when there is a rediscount market, constitute the most liquid assets of banks. It is a well-known fact that owing to the high stamp duty on time hundis the parties avoid them by taking recourse to a purja, a mere receipt for the amount received with verbal understanding regarding the actual date of payment. A specimen of such a purja is printed in Appendix X. The disadvantage of a purja from the lender's point of view is that it is not negotiable and cannot be discounted. Even the Government of India have themselves experienced difficulties in the working of their currency system because of this state of affairs. Under section 20 of the Indian Paper Currency Act emergency currency can be issued only against inland bills, but the Imperial Bank finds it difficult to get a sufficient supply of these bills to tender because its clients prefer to borrow on cash credit or pro-notes (on which the stamp duty is fixed) and not by bills. It is true that the Government at present gets over the difficulty by deducting the cost of stamps from the interest payable on the emergency currency issued against these bills, but the procedure is unsatisfactory and artificial. We have made our recommendations for the reduction of stamp duty in Chapter XV. If our recommendations are accepted, the borrowers are sure to take advantage of them to a much greater extent, as there is every possibility that the banks and bankers will be able to lower their charges for accommodation, because these papers can be rediscounted when they are in need of funds. A distinction, however, should be made between bills payable within a year of issue or sight and after that period. It is clear that bills payable after one year are mostly accommodation papers and do not represent any transaction for goods in the last stages of production or on the way to market. The object of the reduction of the duty is to encourage the banking habit of the people and so this latter class of papers should be excluded from the benefit of reduced stamp duty. Bills and hundis drawn in the province are mostly for periods less than a year and it is hoped that the reduction of the duty as suggested will give an impetus to the development of the practice of drawing bills and thus foster the growth of banking habit.

236. **Amendment of the Negotiable Instruments Act.**—It appears from the information collected that there is need for minor modifications in the present Negotiable Instruments Act. The Bengal Chamber of Commerce has suggested that an inland bill should be defined as one which is drawn or made in India on a resident in British India or payable in British India and not only payable in India irrespective of

where it may have been drawn, as has been decided by the Calcutta High Court in a recent case. The Bengal Chamber also suggested that the Indian Negotiable Instruments Act should explicitly provide, as in the English Act, protection to the collecting banker when the endorsement on demand drafts, drawn by one branch of the bank on another of the same bank, is afterwards found to be forged or without authority. We recommend adoption of these proposals. Another proposed amendment has been discussed in Chapter XV.

237. Standardisation of bill forms.—There is a wide divergence of views regarding the introduction of standard forms for bills and hundis. According to several witnesses the introduction of standardised forms would interfere with the use of hundis as the document would then be deprived of the personal character which is a marked feature of these bills. The majority view, however, is that provided there is no increase in charges due to the cost of printing and management, standard forms will be welcome. There is, however, another consideration in this connection. Unless a bill of exchange or hundi is payable to bearer its circulation becomes limited in a country like India where there is such a multiplicity of script.

238. The best solution, so far as this province is concerned, appears to be that a standard form may be introduced for the bearer hundi which would always retain its bearer character. No one should, however, be compelled to use such an instrument unless he wanted to do so. No standard form should, however, be prescribed for hundis payable to order. Most of the hundis in the province belong to the latter category and there will thus be no unnecessary interference with the existing system.

239. Methods of remittance.—Internal remittances can be made in the province through indigenous banker's hundis, post office, Imperial Bank, joint stock banks and also through Government by supply bills. The last named agency is fast becoming the most important channel for remitting funds where there are no branches of any banking institution, as may be seen from the annual reports of the Controller of Currency. Of the different methods of remittance, that through the post office is the most costly, although this is the only channel for remittances to and from the outlying districts. Many merchants and bankers are of opinion that it was a mistake on the part of the Government to amend the Currency Notes (Refund) Rules of 1921, with a view to discouraging, if not prohibiting entirely, the practice of cutting notes and remitting by halves. The consensus of opinion is that the system of note-cutting is an advantage and till the banking organisation has expanded, the facilities to obtain refunds in respect of the lost half of notes should be re-introduced. The facilities for remittance through post offices, particularly for comparatively small amounts, will also increase, if, as suggested in Chapter XVI, arrangements can be made for transferring savings bank deposits by letters of credit. Of the other agencies for remittance, viz., the indigenous bankers and joint-stock banks including the Imperial Bank, the former, where they exist as in Dacca, are undoubtedly cheaper and every effort should be made to develop the system further. If the indigenous banker and the loan offices in the mufassal are linked with the money market in Calcutta and if such relations are established and movements of funds start in both directions, the cost of remittance, which is at present regarded very high by traders, is bound to come down.

Part III.

Co-operation.

CHAPTER XI.

CO-OPERATIVE SOCIETIES.

Progress made by the movement.

240. **Progress of the movement.**—Co-operation in credit was introduced into Bengal by the Co-operative Credit Societies Act of 1904. It was the result of extensive enquiries conducted by Sir Frederick Nicholson in various parts of the world on the constitution of agricultural banks. Co-operative credit societies were unknown in this country before that date and when introduced, they aroused a considerable amount of criticism and some opposition from the public and the progress was necessarily slow. But in spite of these drawbacks and the difficulties encountered in financing the societies when they were formed, some progress was made and the system gradually found favour with the agriculturists for whose benefit it was worked, and won the confidence of the investing public to a small extent. Many defects were found in the law which were removed by the enactment of the Co-operative Societies Act of 1912 and since then the progress of the movement has been remarkably fast. The following table shows the number and working capital of different kinds of co-operative societies at the end of the years 1912-13, 1917-18, 1922-23 and 1928-29:—

241. Agricultural Societies.—The first primary societies among agriculturists were based on the Raiffeisen model. A number of persons residing in the same village combined together with joint and unlimited liability and formed a society which became a corporate body after registration. The purpose of the association was to encourage thrift by taking deposits from members on rates of interest higher than were obtained in the neighbourhood, and to raise funds from the locality or elsewhere, to give loans to the members at rates of interest lower than the prevailing rates. As the members who joined the society were nearly always needy people, it was useless to expect them to add much to the deposits. The first society formed was in Kushmore in Birbhum district with a deposit of Rs. 9-4 and a loan of Rs. 400 from Government. It had 71 members of whom 37 were borrowers. Societies are now being formed with a share capital, but still with joint and unlimited liability. The annual instalments called on the shares are small and the payments are spread over a course of years. This in effect means compulsory saving by the members. On the 30th of June 1929, there were, besides the grain societies, 16,889 agricultural credit societies dealing in cash with a membership of 407,552 and a working capital of Rs. 4,21,19,119. In spite of its magnitude the movement has reached only a very small proportion of the rural population. Societies have been established in only one village out of five in the province, while the proportion of agriculturist families benefited is only about 1 in 15. There is no doubt that it has done a great deal to encourage thrift. Out of a total working capital of 421 lakhs, 40 lakhs represent the share capital, 16½ lakhs the deposits of members, while the reserve fund exceeds 65½ lakhs. All these sums of money may be considered to have been saved by the members. Besides these, there are 41 credit societies with 1,428 members which grant loans and recover them in paddy. The progress of the working capital of agricultural societies from different sources is shown in the following table:—

			1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
Number of societies	..	..	9,811	11,136	13,366	15,657	16,889
Number of members	..	..	245,166	279,447	328,454	380,838	407,552
			Rs.	Rs.	Rs.	Rs.	Rs.
(1) Share capital paid-up	..	..	14,71,633	19,99,916	26,02,028	32,82,412	40,20,537
(2) Deposits from members	..	..	9,33,455	11,21,080	12,76,467	14,90,929	16,67,017
(3) Deposits from non-members	..	..	8,50,873	10,23,874	12,28,111	13,60,103	15,25,139
(4) Deposits from other societies	..	..	77,553	97,214	62,296	63,587	59,647
(5) Loans from Provincial Bank and Central Banks	..	..	1,49,74,424	1,78,76,083	2,25,64,135	2,62,36,900	2,82,93,697
(6) Loans from Government	..	..	1,804	2,046	1,673	1,243	1,743
(7) Reserve Funds	..	..	30,71,919	35,33,540	43,49,221	53,48,686	65,51,339
Total working capital	..	..	2,13,81,661	2,56,53,753	3,20,83,931	3,77,83,860	4,21,19,119

242. Classification of rural societies.—The agricultural primary societies are classified after the annual audit into five classes A, B, C, D and E, according to the quality of their working of the past year. The table below shows the audit classifications of these societies during the last five years:—

		A.	B.	C.	D.	E.	Under proba- tion.
1924-25	..	110	630	5,401	656	487	1,409
1925-26	..	132	797	6,531	726	492	728
1926-27	..	150	787	7,384	863	575	1,581
1927-28	..	152	850	8,458	1,108	687	4,402
1928-29	..	166	855	10,177	1,427	807	3,457

The number of A and B class societies (the best classes) is small because of the low standard of education among the members, in consequence of which, the records and accounts are not kept as perfectly as the standard demands, and because they are too poor to save enough to add much to the deposits of the societies. The D and E classes are bad societies where the principles of co-operation are not understood, or if understood, ignored. They total 2,234. Societies of the E class are or will soon be under liquidation or reconstruction. The societies under probation are recently formed and too young to show their quality and be classified. The normal societies are C class, and number 10,177 out of 13,442 societies classified.

243. Indirect benefits of co-operation.—The members of co-operative societies have taken advantage of the principles of co-operation in making improvements in their economic condition in various directions other than credit. The Registrar of Co-operative Societies in his report of 1927-28 has described how in a few societies the members have realised the necessity of curtailing extravagant expenditure in social ceremonies. In many places they have given up litigation and are settling their disputes by amicable arbitration. We found a notable example of this in Gosaba, the zamindary of Sir Daniel Hamilton. The members of some societies have agreed to give up smoking and drinking. They have created an ardent demand for education for the members and their children. The Ganja Cultivators' Co-operative Society at Naogaon subsidises 3 High English Schools and 45 primary schools for boys and girls within its jurisdiction. Many primary schools and in some areas night schools have been established by the agency or the assistance of rural societies and central banks. These societies have contributed to a large extent to the creation of the keen demand for universal primary education that has been evinced in recent years. A weaving school has been established in Noakhali district through the efforts of the local co-operators only.

244. Thrift.—But the greatest benefit that this movement has imparted to its members is the inculcation of the virtue of thrift. The statement given in paragraph 241 above shows that during the last

5 years the deposits of members have risen from 9 lakhs to 16 lakhs, while the share capital has increased from 14 lakhs to 40 lakhs. Considerable savings have been effected by the members of village societies affiliated to the Matlab Central Bank in Tippera by the daily collection of a handful of rice (*musti*) from the house of every member. In a society in Rajshahi district every member deposited one-tenth of the value of his agricultural produce of the year in the society and with the assistance of the capital thus raised has been working independently of the central bank. Home safe boxes have been introduced very extensively by several central banks but the villagers are generally too poor to pay the high price of the boxes and do not possess any safe repository in their own homes where they can keep these boxes. This movement has therefore not prospered as rapidly as was expected. Schemes of Provident Fund Deposits have been inaugurated by several central banks to which every member of a rural society is encouraged to contribute a fixed sum periodically to receive the benefit of an endowment at the end of the stipulated period. This scheme has been extended in many places to agriculturists who are not members of any co-operative society. The Bengal Co-operative Provident Insurance Society, Ltd., that has recently been formed offers facilities for life assurance to all members of co-operative societies on very attractive terms. It has brought the benefits of life insurance within easy reach of the rural population.

245. Reduction of interest rate.—It is the overwhelming evidence of our witnesses that in every locality where co-operative societies have been established the rates of interest charged by the local money-lenders have come down. In several instances we have found that professional money-lenders have turned to active co-operators and have deposited the bulk of their capital in central banks.

246. Agricultural non-credit societies.—The Act of 1904 was limited to credit societies only. Since the passing of the Act of 1912, efforts have been made to meet the needs of agriculturists by co-operation in other ways than by supplying them with credit. Four classes of non-credit societies have been organised during the last 18 years. The agricultural purchase and sale societies are mostly agencies for marketing the produce and some of them are what may be called co-operative stores for the supply of agricultural and domestic requisites of the villagers. In Western Bengal where the need of irrigation was felt very keenly, irrigation societies have been established for the re-excavation of old silted-up tanks and streams and other sources of irrigation and for erecting embankments to keep out floods or saline water. The production and sale societies are unions of producers, created for pooling the agricultural produce of the members and disposing of them on their behalf at the best markets. The Agricultural associations have been established for indenting for in bulk and supplying to members agricultural requisites such as implements, seeds and manure. The table below shows the progress of non-credit agricultural societies during the last 5 years:—

Class of societies.	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.	
	Number of societies.	Number of members.	Number of societies.	Number of members.	Number of societies.	Number of members.	Number of societies.	Number of members.	Number of societies.	Number of members.
(1) Purchase and sale ..	33	5,337	53	9,565	78	20,553	85	28,867	100	28,982
(2) Irrigation ..	268	10,368	350	12,092	377	13,328	525	15,195	773	20,133
(3) Production and sale ..	69	6,624	78	7,377	102	8,177	128	9,230	174	10,766
(4) Agricultural Associations ..	20	325	21	8,249	30	8,724	31	9,078	32	9,206
Total ..	390	22,654	502	37,283	587	50,782	769	60,370	1,079	69,087

247. **Purchase and purchase and sale societies.**—Since 1924, a serious attempt has been made to give the jute cultivator a fair share of the value of his produce by the organisation of jute sale societies. The principal difficulty encountered was in obtaining a fair price from the customers who are chiefly the jute mills in and about Calcutta. They would not buy small quantities nor accept any consignment unless guaranteed to be of the quality professed. To meet this difficulty the sale societies had to be organised on a very elaborate scale and after working during the last three years the C. O. S. mark has now been firmly established as a reliable mark in the jute trade and finds a ready sale among all classes of customers at a fair price. One effect of having to begin from the very start on an extensive scale was that the jute had to be purchased from members as well as non-members and the agriculturists being ignorant and doubtful of the benefits of the movement and also being under the influence of the local middlemen, did not bring their jute into the sale societies' godowns in as great quantities as was expected. Some progress has been made but these societies are still in an experimental stage. We consider that the ideal of these societies is most commendable but they do not appear to have been worked on right lines in the past. No serious attempt appears to have been made to get the members of societies to sell all their jute to the sale society or if it has been made at all, it has not been successful. Nowhere except in Sonatola in 1928-29 has the cultivator received a higher price than the market price, which is the principal *raison d'être* of these societies. There must be many other defects, both in the organisation and in the method of working or the losses in the past would not have been so high. We think that a careful enquiry by experts must be made without any further delay before the department decides to continue or further extend the movement. We consider sale societies to be of very great importance to the agriculturist and they have vast possibilities, if run on proper lines. They must not, however, be allowed to jeopardise the success of co-operation in other branches, by an ignominious failure, for want of proper guidance. The following table shows the working of the jute sale societies since their formation:—

Serial No.	Name of society.	Date of registration.	Cost incurred in establishment and other standing charges since formation of societies.	Total quantity (in maunds) of jute purchased for sale for exportation.	Cost price and charges of assorting, baling, etc., of the jute.	Cost of freight insurance, brokerage, claims and other dis-tributing charges.	Totals of columns 6 and 7.	Total price realised and value of stock in hand.	Trading profit (+) or loss (-). Difference of columns 8 and 9.
1	2	3	4	5	6	7	8	9	10
			Rs.	Maunds.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Sarisbari (Amended)	25th August 1924 .. 27th September 1926	56,810	185,000	18,98,083	1,09,638	20,07,671	20,18,743	+ 11,072
2	Chandpur (Amended)	30th June 1925 .. 14th May 1926	1,42,744	348,000	34,51,844	1,64,848	36,16,692	36,91,929	+ 75,237
3	Alamdanga	30th June 1926 ..	10,473	45,000	4,90,935	13,506	5,04,441	5,04,669	+ 228
4	Sirajganj	20th July 1926 ..	42,426	200,000	18,24,619	86,855	19,11,474	19,44,340	+ 32,866
5	Sonatala (Started)	14th September 1926 1st April 1928	8,645	38,000	3,57,610	35,692	3,93,302	4,28,604	+ 35,302
6	Shahzadpur	21st September 1926	43,261	135,000	13,49,272	80,959	14,30,231	14,62,773	+ 32,542
7	Narayanganj	8th October 1926 ..	70,731	330,000	34,95,029	2,80,734	37,75,763	37,36,967	- 38,796
8	Chaumuhani	8th October 1926 ..	53,852	111,000	10,62,908	94,164	11,57,072	11,60,157	+ 3,085
9	Akhaura	27th October 1926	53,136	204,000	20,88,908	1,76,600	22,65,508	22,30,227	- 35,281
10	Madaripur	12th January 1927	39,642	174,000	18,23,621	1,64,341	19,87,962	19,38,939	- 49,023
	Total	..	5,21,720	1,870,000	1,78,42,779	12,07,337	1,90,50,116	1,91,17,348	+ 67,232

248. Paddy sale societies have also been established in many areas but not on so large a scale. They have almost all shown a profit but the profit is not large as this movement is also in an experimental stage at present. The sale societies at Gosaba and Khepupara have established rice mills at their headquarters where the paddy collected from the members is hulled and the cleaned rice is despatched for sale. We found the former working very successfully and the latter was opened only three months ago. The co-operative stores in agricultural areas such as Khepupara, Naogaon and Gosaba, are working successfully and appear to be of considerable assistance to the members.

249. **Irrigation societies.**—The irrigation societies are also very popular. The agriculturists whose land requires irrigation form a co-operative society with limited liability, and take shares proportionate to the areas of their respective holdings and borrow funds from their own financing union or from a central bank, with which they execute the contemplated irrigation work. When the work is completed, an annual water cess is levied on each acre of land irrigated, and with the proceeds of the cess the loan is repaid with interest. In low lands where embankments are necessary to keep out flood, similar societies have been formed by co-operative action. The tendency of these societies to stop operations and levy of water cess as soon as the loan is repaid should be checked. They should be encouraged to keep alive and levy a reduced cess for repairs and continuous maintenance of the irrigation work. The progress made by these societies is shown in the table below :—

District.	1924-25.			1928-29.		
	Number of societies.	Number of members.	Working capital.	Number of societies.	Number of members.	Working capital.
			Rs.			Rs.
Khulna ..	1	39	910	3	297	6,594
Murshidabad ..	..	..	..	2	54	No work.
Burdwan ..	4	60	32	73	1,662	5,690
Birbhum ..	168	4,745	54,765	397	7,539	1,05,941
Bankura ..	170	7,073	1,69,326	278	8,987	2,45,204
Midnapore ..	1	94	4,131	1	93	3,662
Hooghly ..	4	48	1,723	3	52	1,865
Howrah ..	..	..	..	6	1,385	12,636
Faridpur ..	1	14	428	1	14	92
Bogra ..	1	19	Work not commenced.	1	19	395
Malda ..	..	..	..	8	31	1,054

250. **Production and sale societies.**—The most conspicuous example of a production and sale society is the Naogaon Ganja

Cultivators' Co-operative Society, Ltd., a full description of which has been given in Appendix VI (3). One hundred and sixty-nine milk societies have been established. These are essentially producers' organisations based on limited liability and share capital subscribed by the producers. The milk produced by every member is collected and brought to the headquarters of the union where it is tested, pasteurised and then sold. They serve the purpose of not only finding a ready market for the produce but also ensuring a safe, constant and cheap supply to the consumers. The progress made by the milk societies is shown in the table below:—

	1924-25.			1928-29.		
	Number of societies.	Number of members.	Working capital.	Number of societies.	Number of members.	Working capital.
			Rs.			Rs.
24-Parganas ..	68	3,459	42,034	97	5,497	72,545
Dacca ..	1	12	1,002	32	302	20,986
Jessore ..	3	168	1,040	2	120	1,228
Nadia ..	..	..	..	1	24	142
Hooghly ..	..	..	..	5	310	5,721
Darjeeling ..	..	..	..	3	87	4,690
Rajshahi ..	..	..	..	18	284	6,626
Dinajpur ..	..	..	..	8	87	1,269
Noakhali ..	..	..	..	2	21	1,042
Total ..	72	3,639	44,076	169	6,742	1,14,478

251. **Agricultural associations.**—There are 32 agricultural associations in the province organised for the purpose of supplying seeds, manures, implements and other requisites for the agriculturists. We examined the working of these associations in some places and found that owing to the apathy of the cultivators towards improved means and methods of agriculture they were not working successfully. We found one such association issuing cash loans. It is doubtful whether there is any necessity for forming these societies as separate institutions, as their duties could be performed quite as well and more economically by the credit societies themselves or by the sale and supply societies.

252. **Non-agricultural credit societies.**—The credit societies among non-agriculturists are known as urban banks. They are of two classes, viz., societies composed of employees of a particular office, institution, or commercial concern, and town banks comprised of all classes of non-agricultural population residing in the urban areas. The progress made by these societies during the last five years is shown in the following table:—

		1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
(1) Number of societies	..	257	289	333	358	410
(2) Number of members	..	82,078	99,300	105,921	119,918	148,028
		Rs.	Rs.	Rs.	Rs.	Rs.
(3) Share capital paid up	..	29,90,220	36,19,443	40,54,222	46,20,477	52,47,724
(4) Loans and deposits from—						
(i) Members	..	37,09,206	42,30,452	54,10,435	48,94,230	52,73,613
(ii) Non-members	..	41,59,095	57,34,286	55,02,302	80,85,516	97,35,879
(iii) Central banks or the Provincial Bank	..	2,29,303	2,12,217	4,55,438	4,32,416	5,14,416
(iv) Government	..	....	....	....	....	13,202
(5) Reserve Fund	..	6,20,831	7,48,190	9,05,792	10,91,900	13,19,723
(6) Working capital	..	1,17,47,138	1,46,11,123	1,84,33,952	1,92,82,590	2,25,53,222
(7) Profits	..	4,40,645	5,13,339	6,90,511	6,81,561	7,78,606

It will be seen from the above table that out of a total working capital of 225 lakhs, 52 lakhs have been raised by share capital, 53 lakhs by deposits from members and 97 lakhs by deposits from non-members. The assistance of the Provincial Bank or the central banks is invoked only in the earlier stage of their being. This shows that these societies have been able to gain the complete confidence of the public and to attract sufficient local capital. These societies all appear to be run on sound business lines. Among the societies of this type the most important is the group of societies in Calcutta numbering 67 with 60,074 members and a working capital extending over 114 lakhs. Almost all Government offices as well as important private firms have a credit society of the employees working on their own share capital supplemented by deposits raised from members and non-members and the accumulation of their reserve and other funds. The Registrar reports that some of these societies have been able to reduce their lending rate to 6 per cent. Such urban societies are also to be found in many of the smaller towns in the mufassal. One class of such societies deserves special mention. They are the societies organised among the sweepers employed in the municipalities. The progress of these societies has been remarkable and in almost every case the members have been freed of the debts they owed to private money-lenders. Considerable economic improvement has been made by their joint efforts and many of the societies now insist that the members should refrain from all intoxicating drugs and drinks and other extravagances. In several societies the standard of living has sensibly improved and education is imparted to the members and their children in night schools.

253. The town banks are composed of the residents of small towns, consisting of professional men, traders as well as other classes of urban people of limited means. They cater for the needs of the middle-class people and are generally well managed and successful. Although some of the town banks finance the traders to a certain extent there are no separate organisations for financing small tradesmen such as aratdars, shopkeepers, beparis, farias and pedlars. In villages they are isolated and their numbers are also few and it is not easy to devise any organised bank for their benefit except the existing rural societies, but in towns where their number is larger and where they live in close contact with each other, credit facilities on co-operative lines should be adequately provided by the organisation of traders' co-operative banks.

254. **Non-agricultural non-credit societies.**—The progress made by non-credit societies among the non-agricultural population during the last four years is shown in the following table:—

	1925-26.		1926-27.		1927-28.		1928-29.	
	Number of socie- ties.	Number of members.	Number of socie- ties.	Number of members.	Number of socie- ties.	Number of members.	Number of socie- ties.	Number of members.
(1) Purchase and sale (stores)	57	9,073	55	9,496	58	9,869	69	10,532
(2) Fishermen's societies	92	2,513	108	3,088	108	3,207	108	3,230
(3) Anti-malarial and Public Health	269	6,488	450	10,524	557	13,666	682	15,620
(4) Relief societies	..	..	10	2,304	17	4,987	23	6,050
(5) Mahila Samities	5	84	6	116	6	136	6	136
(6) Zamindari societies	2	528	3	1,025	2	518	6	592
Total	425	18,686	632	26,553	748	32,383	874	36,166

255. Purchase and sale societies.—Non-agricultural purchase and sale societies or co-operative stores have not generally proved successful. Many of them are working at a loss; the principal reason of this is said to be the disloyalty of the members who prefer to purchase on credit from a tradesman's shop instead of paying cash in his store. The management in many cases is inefficient and sometimes perhaps not quite honest. The working of institutions like these ought to be in the hands of professional tradesmen and not amateurs. The following table shows the working of these organisations during the last five years:—

		Number of socie- ties.	Number of members.	Working capital.	Sale of goods to members.	Cost of manage- ment.	Profit or loss.
				Rs.	Rs.	Rs.	Rs.
1924-25	..	71	9,959	3,34,085	4,73,537	21,114	—33,009
1925-26	..	57	9,073	2,08,051	3,76,999	22,889	—4,330
1926-27	..	55	9,496	2,70,651	5,31,235	23,262	+5,341
1927-28	..	58	9,869	3,18,977	4,68,093	22,978	+6,629
1928-29	..	69	10,532	3,64,536	5,36,586	26,188	+8,350

256. Artisan societies.—These societies were originally meant to be working on an industrial basis, i.e., the societies should arrange to supply raw materials to the members and take over and dispose of the finished products, but the majority of these societies are now working on a credit basis and borrow money from their financing unions or from central banks and lend it in cash to the members. The most important group among these is that composed of the weavers' societies which number 292 with 5,156 members and a working capital of 4½ lakhs. Many of the weavers' societies are still working on industrial basis. The artisans' societies are not very successful as yet, the principal reason being the difficulty in marketing the produce. In Chittagong we found that weavers' societies are finding it impossible to compete with imported goods. The progress made by these societies during the last four years is shown in the following table:—

	1925-26.		1926-27.		1927-28.		1928-29.	
	Number of societies.	Number of members.	Number of societies.	Number of members.	Number of societies.	Number of members.	Number of societies.	Number of members.
(1) Conch shell makers ..	10	247	10	252	10	251	10	246
(2) Shoe makers ..	8	144	10	171	13	211	9	140
(3) Weavers ..	233	3,938	260	4,394	274	4,844	290	4,662
(4) Cocoon reelers and rearers	31	529	43	882	67	1,005	83	1,347
(5) Others ..	40	1,693	45	1,683	50	2,019	57	2,792
Total ..	322	6,551	368	7,382	414	8,330	449	9,187

257. **Financing institutions: Central banks.**—All primary societies with the exception of some irrigation societies, industrial societies and producers' societies are financed by federal organisations called central banks. An ideal central bank is of the pure type, composed of primary societies only but it was found difficult to organise such banks in the larger towns where a mixed type of banks were formed with preference shareholders who are individuals residing in the locality, besides the ordinary shareholders who are the primary societies that are financed. These individual shareholders were introduced in order to supply the requisite business capacity and to provide sufficient funds for the working of the federation. The ultimate aim should be to educate the representatives of the rural societies and to build up their capital to such an extent as will make it possible to eliminate the individual shareholders. The table below shows the progress of the central banks during the last five years:—

Years.	Number of central banks.		Number of members.		Number of affiliated societies holding shares in central banks.				Loans made during the year to—		Share capital paid up.		Loans and deposits held at the end of the year from—				Reserve and other funds.		Working capital.	
	Individuals.	Societies.	Central credit.	Agricultural credit.	Non-agricultural credit.	Others.	Individuals.		Banks and societies.	Rs.	Rs.	Rs.	Societies.	Provincial or central bank.	Government.	Individual and other sources.	Rs.	Rs.	Rs.	Rs.
1924-25	4,286	9,746	4	9,335	227	180	..	..	1,11,09,377	25,20,236	3,34,442	39,41,350	6,272	1,26,31,462	11,41,272	2,05,84,034				
1925-26	3,945	11,152	3	10,703	256	189	..	..	2,41,19,460	29,57,796	3,30,381	49,37,151	..	1,53,86,865	13,20,267	2,49,41,469				
1926-27	4,091	13,235	5	12,731	289	210	..	..	2,02,73,411	35,63,460	4,56,425	77,44,509	..	1,70,06,188	15,51,899	3,03,22,481				
1927-28	4,198	15,568	5	14,870	310	383	..	..	1,77,44,104	41,08,640	3,89,524	91,82,016	..	1,95,03,110	18,78,979	3,50,63,269				
1928-29	4,376	17,019	5	16,187	340	487	..	..	1,98,38,148	45,83,770	4,39,343	93,50,432	..	2,26,28,805	22,74,096	3,92,76,446				

258. It will be seen that this type of financing organisation has secured the confidence of the public and raised deposits to the extent of over 226 lakhs out of the total working capital of 392 lakhs. Twenty-seven central banks have got cash credit accounts with the Provincial Bank and obtain any assistance that they may require by this means. Four of them have been given the benefit of cash credit accounts with the Imperial Bank also. In Bengal these banks are supervising as well as financing bodies and practically the whole of the work of the organisation of the primary societies, fostering their growth and supervising their work is performed by them. We have examined the affairs of several of these important institutions and found them all working on sound lines and in a perfectly business-like manner. We are of opinion that these central banks can be entrusted with other responsible work such as the management of land mortgage work as proposed in Chapter VI.

259. **Industrial unions.**—The artisans' societies are financed by industrial unions. The table below shows the working of the 8 industrial unions in the province:—

Name of society.	Number of individual members.	Number of affiliated societies.	Working capital.	Profits.
			Rs.	Rs.
(1) Dacca Industrial Union ..	60	52	2,05,936	7,250
(2) Nadia Industrial Union ..	69	8	10,580	287
(3) Bankura Industrial Union	70	77	63,772	554
(4) Chittagong Industrial Union ..	24	39	1,33,458	2,333
(5) Raipura Industrial Union	187	24	62,061	10,608
(6) Chaumuhan Industrial Union ..	158	26	45,927	1,495
(7) Naogaon Industrial Union	44	38	37,601	170
(8) Malda Silk Union ..	12	28	86,923	4,336

260. **Other financing unions.**—There is also a milk union in Calcutta which finances all the primary milk societies in the neighbourhood. Similar organisations of this type have recently been initiated in certain other centres in the province, e.g., Dacca, Darjeeling and Chittagong. There are financing unions of the same type for silk societies and irrigation societies.

261. **Provincial Bank.**—The Provincial Bank is the apex bank of the co-operative organisation. It finances central banks and industrial, producers' and other unions as well as a certain number of primary societies such as urban banks. We do not approve of the inclusion of primary societies as members of the Provincial Bank unless they have no local financing bank to which they can be conveniently affiliated. A primary society should never be affiliated to more than one financing institution and if already a member of a central bank, should not be admitted as a member of the Provincial Bank also. It has now a cash credit account with the Imperial Bank for Rs. 30,50,700. The progress made by the Provincial Bank during the last five years is shown in the following statement:—

Year.	Number of affiliated societies holding shares in the Provincial Bank.					Loans made during the year.	Share capital paid up.	Loans and deposits held at the end of the year from—			Reserve and other funds.	Working capital.
	Central credit.	Agricultural credit.	Non-agricultural credit.	Others.	Total.			Societies.	Central Banks.	Individuals and other sources.		
1924-25	85	1	22	14	122	Rs. 27,97,814	Rs. 5,48,675	Rs. 4,26,223	Rs. 13,20,878	Rs. 37,11,016	Rs. 1,13,293	Rs. 61,20,085
1925-26	94	1	27	14	136	Rs. 41,10,099	Rs. 6,98,425	Rs. 6,70,978	Rs. 15,87,192	Rs. 44,29,826	Rs. 1,44,109	Rs. 75,30,530
1926-27	101	1	27	20	149	Rs. 82,40,179	Rs. 10,50,175	Rs. 3,33,441	Rs. 13,93,439	Rs. 88,30,331	Rs. 2,17,407	Rs. 1,18,24,798
1927-28	106	3	30	20	159	Rs. 1,00,19,605	Rs. 12,27,276	Rs. 3,45,963	Rs. 12,76,666	Rs. 1,02,93,399	Rs. 3,81,780	Rs. 1,35,05,084
1928-29	110	3	30	20	163	Rs. 2,09,49,859	Rs. 13,69,475	Rs. 8,74,444	Rs. 22,56,145	Rs. 1,23,27,483	Rs. 3,69,098	Rs. 1,71,90,645

Existing difficulties and defects and how to remove them.

262. Difficulties: Want of education.—In course of our enquiry we were informed that this movement is beset with many difficulties which retard its progress. The co-operative societies deal mainly with the poorest class of people, the majority of whom are illiterate. The want of education is the principal reason why the progress not only of this movement but of every attempt at village uplift must necessarily be slow. The people of our country are by nature conservative and view with suspicion every innovation even when it is to their benefit. Their poverty presses heavily on them and makes them apathetic towards every measure for the amelioration of their condition. It is difficult to lead them along new and untried lines of progress.

263. Want of knowledge of co-operation.—Many of our witnesses have stated that the members of rural societies do not generally possess the necessary knowledge of the principles of co-operation. We are afraid that this complaint is not at all unfounded, but want of education again is the principal obstacle in the way of inculcating these principles. Officers entrusted with this duty have found the villagers wanting in the capacity to understand the genuine principles underlying this movement. Such teachings must necessarily require infinite patience and tact and the authorities who appoint inspectors and supervisors should select these officers with the greatest care and see that they possess these necessary qualities.

264. Improvidence.—The agriculturists in Bengal are said to be improvident. In previous chapters we have discussed the average income and expenditure of an agriculturist and we have shown what little margin he has got for wasting, but whatever may be true of the average villager there is no doubt that in every village there must be a few agriculturists who are thriftless, who borrow without any definite ideas of repayment and who spend recklessly on unproductive purposes. We are doubtful whether the spread of education alone will improve this state of affairs, but we can only hope that wide extension of this movement will make the people understand the necessity of thrift and reduce their improvidence.

265. Want of credit.—Until recently, the holding of an agriculturist was generally not saleable and his credit suffered in consequence. He had therefore to pay a higher rate of interest than people possessing other kinds of property of the same value. The law has now been altered, but until it has worked for several years it cannot be said whether the change has been to the benefit of his credit or not. But the smallness and fragmentation of the holdings will always be in the way of his obtaining credit that the value of the property would otherwise entitle him to. This subject has been discussed in greater detail in Chapter VI.

266. Competition with money-lenders.—Another great difficulty which this movement has to encounter is the attraction of the money-lenders. Credit obtained from this source is much more facile and can be readily obtained without much delay. The money-lender makes no vexatious enquiry into the purposes of the loan nor does he insist on punctual repayment of the principal. He is easily accessible and any transaction made with him is ordinarily kept secret. For these reasons a great many people are lured to the money-lender although the rates of interest charged by him are much higher than in co-operative societies. The spread of the co-operative movement is, however,

gradually teaching the people the benefits of co-operation and exposing the speciousness of the money-lenders' attraction.

267. **Unlimited liability.**—It has also been sometimes said that the joint and unlimited liability of members of rural societies stands in the way of the extension of the movement. Joint and unlimited liability has been found from experience to be absolutely essential for agricultural credit and, as a matter of fact, instances in which one member has been made to pay more than his own dues to the society are so very rare as to be utterly negligible. Outside credit can only be secured by co-operation on joint and unlimited liability. Spread of education and teaching of the genuine principles of co-operation can alone dispel this misapprehension.

268. **Heterogeneous membership.**—Much difficulty has been found in working rural societies of which the members come from different classes of society. A member of superior social and economic status is in a position to dominate the will of members who are his inferiors and it often happens that he gathers all the power in his hands. The society in these circumstances loses its co-operative character and speedily deteriorates. We think that care should be taken to form societies composed of members of the same status and possessing common interests.

269. **Defects: Paucity of Government staff.**—Many defects have been brought to our notice but, for the greatest among these, namely, the paucity of inspecting and auditing officers, the Government of Bengal is, in our opinion, responsible. The movement has not received the same amount of assistance from this Government as from many other Governments in India. For the conduct of the audit of co-operative societies, a duty enjoined on the State by the Legislature, a pro rata fee is levied from the societies although in Madras and some other provinces such audit is generally free. The Government of Bengal is expected to spend at least the revenue derived from these fees on the entertainment of a sufficient staff of auditors. The following figures show the recoveries on account of audit fees and the expenditure incurred on account of the audit staff during the years 1926-27, 1927-28 and 1928-29:—

				1926-27.	1927-28.	1928-29.
				Rs.	Rs.	Rs.
Recoveries	..	..	..	1,83,803	2,21,542	2,43,697
Expenditure	..	..	..	1,25,612	1,25,293	1,43,169
Surplus				58,191	96,249	1,00,528

It appears from the last report on the working of the co-operative societies in Bengal that in spite of the administrative approval of Government to the appointment of 60 additional auditors, funds were actually allotted during the last year for the appointment of 14 auditors only although there has been a continually growing surplus from the audit fees recovered to the credit of Government. Every one out of the 70 inspectors sanctioned is expected to inspect and supervise 280 primary societies and at least one central bank. It is thus not possible for him to visit a primary society oftener than once in two years. There were only 124 auditors on the 30th June last and each was expected to audit the accounts of 160 primary societies. As

it was physically impossible for him to do so, many societies were audited by the supervisor staff of the central banks. The nature of inspection and audit that was conducted must therefore be extremely perfunctory and we do not wonder that there are so many defects in the working of the societies. The progress already made and the present prosperous condition of co-operative institutions must be attributed solely to the devoted care and labour of the non-official workers and the central banks. We very strongly recommend that the Bengal Government should strengthen the inspecting and auditing staff adequately without any further delay.

270. Training of officers.—We have pointed out before that it is essential for the sound development of the movement that the officers of the department should be carefully selected. It is equally imperative that when once selected they should be as carefully trained in their duties. Some attempt appears to have been made recently to train the auditors and the supervisors employed under the central banks but it seems that the time has come when a comprehensive scheme for the thorough training of all inspectors, auditors and supervisors as well as non-official workers, in every branch of their duties, should be prepared and carried out. The audit has not been very satisfactory in the past few years, not only because the auditors were pressed for time, but, we are told, also because some of them were indifferently trained.

271. Maintenance of property and debt statement.—We found that the preparation and maintenance of the statements of properties and debts of members of the societies with unlimited liability is sadly neglected in many places. The importance of this work cannot be overestimated and it should be impressed on the panchayet of every society by the central banks and the inspectors, auditors and supervisors. They should examine and test these statements every time they visit the society and make the necessary corrections.

272. Overdues.—Considerable anxiety is felt on account of the annually increasing overdues. The percentage of overdues in agricultural credit societies during the last four years is as follows:—

Per cent.			Per cent.		
1925-26	..	24.1	1927-28	..	29.4
1926-27	..	25.1	1928-29	..	34.4

The principal cause of the overdue loans is failure of crops and the only remedy in such cases is to give more loans to defaulters so that he can continue the work of cultivation and repay after the next harvest. In many cases big loans are taken for redemption of old debts, acquiring lands or making improvements. These loans should be given for long terms because they cannot possibly be repaid within 3 or 4 years for which the rural society ordinarily grants loans. In such cases, however, the loans are perfectly safe and the overdues should cause no concern. Some overdues are undoubtedly due to under-financing; for, when an agriculturist cannot get the whole of his requirement from his society, he has to take recourse to the private mahajan and the pressure of the latter being much greater, the societies' loan remains unpaid. We strongly disapprove of under-financing for this reason. But the opposite danger, viz., over-financing, should also be guarded against.

273. Defaults of members of the panchayet.—One reason of the overdues of rural societies is that when the members of the managing

committees default, none but they themselves have any legal power to initiate coercive measures for recovery. Only the panchayet can institute a "dispute" case for the collection of overdues. If they themselves are in arrears, it is not likely that they would start proceedings against themselves. Their omission to do so is undoubtedly a dereliction of duty, but no penalty is attached to it. We recommend that when the central bank is satisfied that a member of the panchayet has defaulted and the panchayet refused, when called upon, to initiate a dispute case against him, the bank should be empowered to do so on behalf of the society. No change of law is required, if the central bank is allowed to take a power of attorney from the society at the time of affiliation and, in case of affiliated societies before a new loan is granted, empowering it to institute and conduct dispute cases against defaulting members of the society on its behalf. This can also be done by the society itself by making the necessary provisions in its bye-laws.

274. Loans to panchayet.—It has been an almost universal complaint that the bulk of the resources of a rural society is appropriated in loans by the members of the panchayet, while the remaining members of the society have to be content with whatever is left by the panchayet. Under the constitution of such societies the panchayet has unfettered discretion in the grant of loans. It is, no doubt, a fact that the panchayet consists of the most substantial members of the society and their requirements are greater than those of the poorer members. In Bakarganj, loans are granted to the panchayet only at general meetings of all the members. This is a very salutary measure and may be adopted in all societies. Supervisors should note at inspections whether the panchayets have taken disproportionately large loans and, if so, the central banks should take this matter into consideration at the time of granting new loans.

275. Delay in getting loans in primary societies.—Complaints have been made to us that there is considerable delay in getting a loan from a primary society. This is due to its not keeping any ready cash from which to meet emergent demands for loans. It has to apply for accommodation from the central bank and this is not sanctioned until after an enquiry by the supervisor. It is not possible to supply every rural society with funds, which may or may not be required, nor is it possible to dispense with the enquiry by the supervisor. The only remedy is to allow the society a cash credit in the central bank against which it can draw at will, whenever there is an emergency. The Registrar has advised the grant of such cash credits in case of A or B class societies only. We recommend that the central banks should grant cash credits much more freely to every society that they consider to be deserving of the privilege.

276. Splitting up of central banks.—The older and more prosperous central banks are complaining of the action of the department in reducing their jurisdiction by the formation of new central banks in it. These new central banks are generally of the pure type and being unable to raise sufficient local deposits, are compelled to borrow from the Provincial Bank. The Maclagan Committee laid down that "A central bank should cover as large an area as is compatible with convenience and efficiency. . . . A central bank should ordinarily expect to deal at once or within a reasonable time with at least 200 or 250 societies." We agree with this view, and unless the area of its operation is too large or the means of communication exceptionally

bad. no central bank should be split up before the number of affiliated societies reaches 300, and even then no new central bank should be formed until a sufficient number of men of intelligence, influence and knowledge of co-operation can be found in the locality to form its directorate.

277: State aid to industrial societies.—The assistance given by the department to industrial societies, we find to be inadequate. In 1905, Mr. Gourlay, the first Registrar of Co-operative Societies in Bengal, said: “By the end of twenty years I believe we shall see the principle of co-operative credit thoroughly established and understood, and when that time comes, there will be no necessity for Government to nurse the movement.” The prediction was fulfilled in this province long before the twenty years. State aid is not necessary in the present stage of development of the agricultural or urban credit societies. But we consider it essential in the case of all new forms of co-operation provided that they cannot develop without such State aid and that the aid is withdrawn as soon as they can stand on their own legs. In the case of artisans’ societies the inspectorate should be considerably strengthened and selection should be made from men trained in the Department of Industries. They should be in touch with the market, both to buy the raw materials and to sell the finished products. Financial aid is also necessary in providing the facilities for both purchase and sale.

278. State aid to purchase and sale societies.—The purchase and sale societies also require considerable amount of State aid in the experimental stage of their development. They are bound to suffer losses in the first years, if they have to pay the rate of interest that the Provincial Bank charges. They cannot wait for prices to rise, and if they do, the increase in the price is eaten up by the interest that accrues on the loans as has happened in the past few years. For such societies, specially the jute sale societies, we recommend liberal State loans, at the lowest possible rate of interest until they can accumulate sufficient reserves. For their block expenses on land, buildings and plant, we recommend equally liberal State grants, or at least State loans without interest. For the whole of British India the amount of State aid in 1927-28 was Rs. 94,64,000, and of this, Bengal’s share was only Rs. 60,000. In the Punjab we are informed, the purchase and sale societies were very liberally assisted by State grants, and it will be no innovation to act on this recommendation of ours. The paddy sale societies also require State aid though not to the same extent. In fact, all new and experimental departures in the field of co-operation will be dependent for their success, in the first instance, on State aid, as was freely granted to the credit societies in the years from 1904 to 1912. The initial expenses incurred by these societies should be paid off and the Registrar’s Development Fund strengthened to such an extent that these experiments may be continued on a steadily increasing scale for a sufficient number of years. But State aid should not be granted unless after careful examination of methods pursued or proposed to be pursued by these experimental societies. In the case of jute sale societies we have already recommended the examination by a committee of experts, and State aid to these societies should not be issued unless on the recommendation of this committee.

279. Co-operative stores.—The co-operative stores in urban areas are almost all unsuccessful. We would recommend that they should be

liquidated and no new stores should be formed either in urban or rural areas, unless there is clear evidence of loyalty and co-operative spirit among the members as we found in the rural stores in Gosaba, Khepupara and to a smaller degree in Naogaon. Instead of these organisations, we recommend that all agricultural as well as non-agricultural primary societies should be encouraged, either individually or through their financing institutions to make co-operative indents for the requirements of their members and supply them on cash or credit according to the circumstances of the members.

280. Loans against deposits in central banks.—Many depositors in central banks complain that they are not allowed to take any loan from the bank on the security of their deposits even in case of grave emergency. The central banks are precluded by the existing law from giving loans to any but their constituent primary societies. A loan to a depositor means, in practice, a premature repayment of his deposit and if the central bank gives out loans to societies for periods similar to the periods for which the deposits are fixed, premature repayments will be impossible. We cannot recommend loans to depositors or premature withdrawals as a matter of right in the case of institutions which finance primary societies.

Adequacy of co-operative movement as a banking agency and lines of development.

281. Restrictions of the Act.—The Co-operative Societies Act does not impose any restriction on the co-operative banks against taking up general banking work except in so far as it relates to prohibition against granting loan to a non-member. If a co-operative bank, like a joint stock bank, advances loans to a person who is not a member, it loses its co-operative character. Within the limitations thus imposed there is no legal bar to any general banking business being taken up by the co-operative banks. In considering how far these co-operative institutions are proper agency for the transaction of general banking business, we may leave out of account the rural societies, which, by their situation, composition and the standard of efficiency, are quite unfit at present for such work. But the Provincial Bank and the central and urban banks are institutions which can reasonably claim to do banking business.

282. Demand made by central banks to take up general banking.—Repeated demands have been made in co-operative conferences and elsewhere by progressive co-operators that the central banks should be permitted to undertake general banking business at their discretion, in order to place banking facilities at the disposal of the people of limited means of the locality in which they exist. The demand is no doubt indicative of the progress attained by these banks. The central banks and some town banks with a good record of service to their credit and with an established reputation of soundness of their position and of efficient management, have inspired such confidence in public mind that their suitability as a general banking organisation cannot be seriously questioned.

283. Nature of banking business undertaken at present.—They have succeeded in attracting a large volume of deposit and some of them have opened current accounts and introduced the system of payment by

cheques. This has, no doubt, given an impetus to the growth of banking habit. A beginning has already been made by some of these banks to provide facilities for remittance of money from one place to another and this has been very highly appreciated by the public. The present arrangement under which the central banks keep some portion of their surpluses in deposit with the apex organisation, i.e., the Provincial Bank, affords a suitable machinery for the remittance of funds by issue of demand bills or drafts. Movement of money is one of the important functions of a bank and it should be facilitated in all possible ways. Discounting of bills of persons other than members is not permitted by the law but bills are accepted without any prejudice for purposes of collection of money due as this method only helps in remittances of funds.

284. The main ground on which they base their claims.—The central banks have usually large amounts of surplus during the slack months from August to February. It is at this time of the year that the village societies generally repay their dues. Some part of this cash balance is deposited either in the Imperial Bank or in a joint stock bank, who, in their turn, make good profit by using it in financing the jute trade while the central banks with their hands tied by law cannot employ these resources profitably. The directors of the central banks base their claims to undertake commercial banking on this ground.

285. Recommendation.—The claim appears to be well founded, but we have to remember that the central banks are financing bodies created with a view to provide adequate financial facilities to the primary societies. The movement has as yet succeeded in extending its benefits only to a small portion of the agricultural population of the province and if at the present stage of the movement, any attempt is made by the central banks to divert their attention or any portion of their resources from the rural societies to other activities for the sake of increasing their profits, much of the valuable work undertaken for the uplift of the condition of the masses through the spread of the movement is likely to be neglected and the problem of rural finance will suffer a set-back. There cannot be any question that the central banks should devote their whole energy and resources to meeting the needs of the primary societies and the bulk of their surplus funds should be devoted to strengthening the existing societies and in forming new ones. Again, co-operative banking is not subject to the same rules of finance as commercial banking. The recognised principles of commercial banking all over the world require that a substantial part of the funds of a bank should be invested in loans against bills, promissory notes or other negotiable instruments or against marketable securities which can be easily converted into money. Devoid of this characteristic, the fluidity of funds, a commercial bank will lose its elasticity without which it cannot do business. Viewed from this stand-point, the central bank is not a suitable institution for carrying on commercial banking on a large scale as the bulk of its investments are made in loans secured by the pro-notes executed by the constituent societies which have no marketable value and cannot be readily converted into cash. It is true that selected central banks are receiving cash credits from the Imperial Bank. But the Imperial Bank is not granting cash credit on the security of these pro-notes, but on the guarantee furnished by the Provincial Bank. After a careful

consideration of the different aspects of the question, we are of opinion that the main function of a central bank is the financing of the primary societies, which should not be allowed to be hampered in any way.

286. Position of the urban banks.—Many of the objection urged above in case of central banks are inapplicable to the case of the town banks. These banks generally cater for the needs of the middle-class people and in this class are included the traders and industrialists of the province. At present the working of the town banks has been confined to raising funds by accepting deposits and advancing loans to members. When such a bank has surplus funds, we cannot see any objection to its employing such surplus in commercial banking for the benefit of its members.

287. Industrial and trade banks.—There is at present no organised banking system for financing the small traders and industrialists who rely mainly on the money-lenders for their financial accommodation which they can secure only at high rates of interest which reduce their net earnings to a considerable extent. For their benefit we recommend that a net work of co-operative banks of the urban type should be organised in all bazars, bandars, marts and all other important centres of trade. These banks will finance not only the cottage industries and the small tradesmen but also undertake commercial banking for their benefit by providing facilities for the remittances and collection of bills by credit instruments such as hundis and bills of exchange.

288. Grant of cash credit.—Cash credit is the most convenient form in which financial accommodation may be granted to the tradesmen and industrialists. This system of financial facility has not been used in primary co-operative societies, but in case of the banks we have proposed in the preceding paragraph, it should be extensively employed. Cash credit is advantageous to the clients of the bank as interest is charged only on the debit balances. The system of *kata-miti*, at present used by some indigenous bankers and money-lenders, closely approximates cash credit.

289. Discounting of bills.—Discounting of hundis, promissory notes or other negotiable instruments and commercial bills is another way in which urban banks can provide banking facilities to their members. Goods of Indian manufacturers are usually sold on three months' credit. The want of funds during this interval, seriously hampers their business and when needs are pressing they are compelled to sell at a loss to meet them. In this matter town banks can, if they undertake commercial banking, help their members to a very great extent.

290. Advancing loans against goods.—But advancing loans against goods in stock will be confronted with some practical difficulties. It will involve large expenditure in the construction of warehouses by the banks where the traders can deposit their stock of merchandise, finished goods or raw materials against which a loan is to be advanced and the employment of a sufficient staff of skilled and reliable assessors to measure, grade and value the goods. This will not be within the resources of the co-operative banks which we have recommended. The problem can, however, be solved by the organisation of licensed warehouses.

291. Financing by the Provincial and Imperial Banks.—We are of opinion that the town banks should be much more freely assisted by the Provincial Bank than they are at present. The Imperial Bank should also be prepared to grant concessions by way of cash credit much more freely than at present and to rediscount their bills. We do not think that the Imperial Bank need be afraid of competition from the town banks. They will finance small people only who at present have recourse to money-lenders and are strangers to commercial banking. Moreover, the stimulus which they are likely to give not only to the development of trade and industry but to the banking habit of the people, will increase business in every sphere and all banking organisations will participate in it.

Borrowing and lending on a Provincial scale.

292. Borrowing.—The primary societies obtain deposits from the villages, the central banks from the mufassal towns and the Provincial Bank from the metropolis. This is the general rule though there are many exceptions. If, as has been suggested, all deposits be taken only by the apex bank, there is likely to be a falling off of the deposits, for the Provincial Bank will not be able to gain the same amount of the confidence of the people of the mufassal towns and villages, nor will it be easily accessible to them.

293. Lending.—The Provincial Bank lends money to the central banks who in their turn finance the primary societies. This is the best possible arrangement, for the Provincial Bank is not in a position to have an intimate knowledge of the working of any primary society.

294. It may be, however, suggested that the central banks and financing unions might all be only branches of the Provincial Bank. This centralisation of funds will, no doubt, facilitate the balancing of the surpluses or deficits of the intermediate financing bodies. We are afraid, however, that this measure will tend to the deterioration of those bodies, specially the central banks, as they would lose the services of the jealous and experienced non-official workers who have built up these institutions. The deposits will also fall off as they depend to a very large degree on the personality of the directorate, specially the chairman and the secretary. We are not prepared at the present stage of the development of these banks to recommend this measure.

295. Interlending between central banks.—Interlending between different central banks is not allowed by the constitution of such banks, but one central bank can make a deposit in another with the sanction of the Registrar. All central banks are encouraged to deposit their surpluses in the Provincial Bank, and to borrow from it whenever they require financing. But some central banks complain that by this they are deprived of the margin between the interest which the Provincial Bank levies from the borrowing banks, and that which it pays to the depositors, and in consequence they do not place all their surplus with the Provincial Bank. Hence the Provincial Bank sometimes has not enough money to finance a deserving central bank, while another central bank may be in possession of much surplus which it cannot usefully employ. In such cases only the Registrar sanctions interlending between the central banks in the form of deposit. We do not think that interlending between central banks should be encouraged.

Concessions.

296. Recommendations of the Royal Commission on Agriculture.—Government have already granted valuable concessions to the movement which are too well known to be repeated here. This is not a measure peculiar to this country alone; for, Governments of all countries have granted substantial privileges to the co-operative movement with a view to stimulate its growth for the benefit of people of limited means. Results so far obtained have amply justified the action of the Government in making these concessions. We have not heard of any instances in which these privileges have been in any way misused. The question was considered by the Royal Commission on Agriculture and some further privileges were recommended in paragraph 379 of the Report in the shape of (1) reduction of money order commission by three-fourths when postal agency is employed for remittance of money from one society to another; (2) greater facilities for transference of funds of co-operative societies through treasuries and sub-treasuries by means of the remittance transfer receipts, and (3) by making the claims of a society a first charge instead of giving it priority as at present by amending section 19 of the Co-operative Societies Act. The arguments which were put forward in support of their recommendations do not lose their weight or strength in their application to the condition of this province and we recommend them.

297. Exemption from income-tax.—Under a notification of the Government profits of co-operative societies are exempt from income-tax and super-tax. But the term "profits" has been interpreted as gains from business only thus excluding interest on Government securities and interest on deposits with banks other than co-operative banks in the province. The income from these two sources are not now exempt from the operation of the Income-tax Act. The Commissioner of Income-tax has reported that in Bengal no tax has been levied on income from the latter source, that is to say, deposits with other banks. He explains that the co-operative societies have a very small income from interest on deposits but after allowing for the expenses incurred there was no income left under the head for assessment. A distinction has been made between profits earned within and those earned outside the movement. The former are fictitious, for such profits may be wiped out by the simple expedient of remunerating members through a lower rate of interest charged on loans in place of payment of dividends. This argument applies with equal force to the reserve fund, which is simply accumulated profits or suspended dividends. We, therefore, recommend that no income-tax should be levied on the interest derived from the securities held as an investment of the reserve fund. The income derived from all investments within the movement should not be included in the total income for determining the appropriate assessable rate for income tax or super tax for all this income is not really profit. We are unable to recommend that the Government securities held for other reasons, e.g., for temporary employment of funds during the slack season should be exempted from income tax. The same remark applies to other forms of investments such as deposits made outside the movement.

298. Execution of awards by the Certificate Department.—When a dispute is filed by a co-operative society against any of its defaulting members the procedure is to refer the matter to arbitration. The arbitrator, after due enquiry gives an award which under the Act has the force of a decree and can be executed through a civil court in the

same manner as if it were a decree of that court. The execution proceedings in the civil court often involve unnecessary delay in the realisation of the dues. The defaulters who are generally the undesirable members often take advantage of this delay and attempt to defraud the creditor society. To avoid this state of things the prompter measure of realisation by the Arrear Collection Department of the Collector has been asked for. We think that this may be permitted, in such cases where the society prefers it.

299. Deposit of surplus funds of Court of Wards, District and Local Boards, Municipalities, etc., in co-operative banks.—To improve the financial resources of co-operative banks it is desirable that every kind of financial facility should be placed at their disposal and all possible sources should be tapped for this purpose. The Court of Wards and such local bodies as Municipalities, District and Local Boards are required to keep their funds in Government treasuries and the schools and colleges in the Post Office Savings Bank. It has been suggested to us that these bodies should be permitted to open banking accounts with co-operative banks or at least to deposit their surpluses with such banks. The Provincial Bank and many of the central banks and some of the town banks have established a good record of work by sound and efficient management and have been able to inspire public confidence. Still it is difficult to say that as a general rule all co-operative banks can be trusted with the management of these funds, but we think it desirable that experiments may be made in cases of selected banks.

300. Entrusting co-operative banks with Government treasury work.—Several witnesses have suggested that Government should entrust the co-operative banks with the work of the Government treasuries and sub-treasuries. We do not think that no co-operative bank possesses the necessary capacity for doing this work, but we are unable to recommend it at this stage, for the currency, exchange and monetary matters generally should be managed by the central banking institution for India when it comes into being. If treasury work is to be undertaken by co-operative central banks that must be done by them as agents of the central banking institution according to terms and conditions imposed by it and should not be determined beforehand by Government. It is an accepted principle of Indian currency and finance that centralisation is necessary to cure many of the present defects, e.g., seasonal stringency. To allow co-operative central banks to do treasury work will be to set up something like the independent treasury system which has been abandoned in view of past experience.

Relation with Imperial Bank and other joint stock banks.

301. Relation with joint stock banks.—At present there is practically no co-ordination between the various banking organisations of the province. Co-operative and joint stock banks work in their respective spheres of activity and there does not appear to exist any competition among them with regard to the respective businesses. The activities of the joint stock banks are mainly concerned with the commercial people of the presidency town or important mufassal towns whereas the co-operative banks cater principally for the needs of the

agriculturists or people of limited means in urban areas. Again, the deposits of the co-operative banks are chiefly derived from salary earners, professional men and other middle-class people while the joint stock banks mainly derive their deposits from the commercial classes as well as the landed gentry and the members of the aristocracy. Their respective spheres of activity being so widely apart, there does not exist at present any scope for a closer relation between them.

302. Relation with loan offices.—The loan offices very often offer higher rates of interest to attract deposits in competition with the co-operative banks; but this has not much affected the latter as people are attracted by the undoubtedly greater security they offer. The question of interlending between the co-operative banks on the one hand and joint stock banks including loan offices on the other, has been a subject of much discussion for some time past. There are advocates of free interlending among all the different banking organisations of province while there are people who object to this proposal. We do not think that interlending between these two different types of banks should be allowed in the present state of their finances. They should all look for any additional resource that may be required to the apex bank, namely, a Reserve Bank of India. It cannot be said that at present the co-operative banks have any surplus left for interlending after meeting their own requirements nor can they afford to borrow from loan offices at the rates of interest usually charged. We are therefore unable to recommend any interlending between these two classes of banks.

303. Relation with the Imperial Bank.—Until recent years the attitude of the Imperial Bank towards the co-operative banks was one of indifference and apathy. But a closer and more cordial relation has now been established through the efforts of the Provincial Bank. It allows the advantage of cash credit to the Provincial Bank and in recent years the same facility has been extended to some of the central and urban banks named below on the guarantee of the Provincial Bank:—

Name.	Amount of cash credit on the 30th June 1929.
	Rs.
The Bengal Provincial Co-operative Bank, Ltd.	... 30,50,702
The Chittagong Central Co-operative Bank, Ltd.	... 60,000
The Kishoreganj Central Co-operative Bank, Ltd.	... 25,000
The Jamalpore Central Co-operative Bank, Ltd.	... 72,000
The Narayanganj Central Co-operative Bank, Ltd.	... 75,000
The Chittagong Urban Co-operating Bank, Ltd.	... 1,50,000
The Chaumuhani Urban Co-operative Bank, Ltd.	... 20,000

The Provincial Bank and some central and urban banks invest a portion of their funds in Government paper and deposit them with the Imperial Bank and are allowed to borrow on the security of these whenever there is an emergent demand for money. The facilities thus granted by the Imperial Bank have been of material assistance to the co-operative banks which has been highly appreciated. These facilities should be more freely extended. It has been suggested that the Imperial Bank should make advances to central banks on the security of the pro-notes of the rural societies, without the guarantee of the Provincial Bank. The matter, we are informed, is under consideration. We can only say that these pro-notes can form valuable collateral security.

Part IV.

Legislation and Legal Procedure.

CHAPTER XII.

Acts for the Protection of Agriculturists.

304. Restrictions on the transfer of agricultural holdings.—In Bengal there was no law for the protection of agricultural tenants from sale of their holdings in execution of money decrees, but a few years ago certain provisions were enacted by Bengal Act II of 1918. A new chapter (Chapter VII A) was added to the Bengal Tenancy Act restricting the voluntary transfer of any tenure or holding by a Santhal and forbidding the sale of any such tenure or holding in execution of any decree except a rent decree or for the collection of dues which are recoverable as Public Demands. These provisions could be extended by a notification of the Local Government to certain other aboriginal castes and tribes, and by an amendment made by Bengal Act VI of 1928, to *raiyats* in the colonisation areas of the Government estates in the Sundarbans.

305. Transferability of holdings.—A permanent tenure is freely transferable and can be sold in execution of any decree. The transfer of any other kind of tenure, including a service tenure, is governed by the terms of the lease. They are usually not saleable without the consent of the landlord. A holding at fixed rent or rate of rent, was, like a permanent tenure, freely transferable. An occupancy holding was also freely transferable wherever there was such a custom, but elsewhere it was transferable only with the consent of the landlord. A portion of such a holding was always freely transferable without such consent though the landlord was not bound to recognise such a transfer. But, by Bengal Act II of 1928, all such holdings and portions thereof have been made freely transferable. At first sight this change in the law may appear to have been for the benefit of the tenant's credit. But there are two provisions enacted by the same law which have severely fettered this right of free transfer. The purchaser has now to pay a premium (*salami*) of 20 per cent. of the sale price to the landlord at the time of registration of the deed of sale and the landlord on the other hand has been given the pre-emptive right to purchase the holding within two months of the sale at ten per cent. over the sale price. These provisions have made intending purchasers of such holdings very cautious. The conditions now are practically the same as before, as no purchaser can be secure of his purchase without the landlord's consent while he suffers under the imposition of having to pay 20 per cent. in addition to the sale price, promptly and in full, before the deed is registered. Since the enactment of this law, the number of such sales has fallen off greatly. Whether there has been any reduction of the credit of the owner of an occupancy holding, it is not possible to say until these provisions have been in force for some years.

306. No necessity for protection.—We are of opinion that in this province there is no necessity at present for any legislation on the lines

of the Decan Agriculturists' Relief Act, the Punjab Land Alienation Act, and Chapter VII A of the Bengal Tenancy Act. On the other hand, we consider that restrictions on the free transfer of land by an agricultural tenant, where they exist, as in certain Government estates in the Western Duars, Darjeeling and the Chittagong Hill Tracts, should be removed. In the absence of sufficient movable property, land is the only security which any agricultural tenant can offer for his credit. If the free transferability of his rights to the land he holds is curtailed, he suffers much in credit.

Usurious Loans Act.

307. **Regulation of usury.**—By the Regulation Act of 1774 (13 Geo. 3, Ch. 63) the maximum rate of interest as applicable to European British subjects in India was fixed at 12 per cent. per annum. Later on by a Bengal Regulation this was declared to be legal maximum rate of interest applicable to all classes of subjects in India. This enactment was in force till 1855 when by section 2 of the Usury Laws Repeal Act it was promulgated that "in any suit in which interest is recoverable the amount shall be adjudged or decreed by the court at the rate, (if any) agreed upon by the parties," and in the absence of any such agreement "at such rate as the court shall deem reasonable." The effect of this legislation was that the rate of interest on loans became competitive and every lender exacted the highest rate that the borrower could be made to agree to. In suits the courts were given no discretion but were bound by law to decree the stipulated rate of interest however exorbitant it may be. The debtor could get no relief till 1899 when the present Sections 16, 19A and 74 of the Indian Contract Act were enacted. By these amendments the courts were empowered to give relief to the debtors in cases of unconscionable bargains, on proof of undue influence or where the bargain contained any stipulation by way of penalty. This however did not touch even a fringe of the problem. In a country where the money-lenders are mostly men of education and intelligence, and where the majority of borrowers are generally ignorant and illiterate it is extremely difficult to prove undue influence. It is equally difficult to prove that the bargain is unconscionable, when the simple agriculturist or artisan is so severely pressed for accommodation that he has no free will at all, and ignorant that the rate of interest could be lower than the prevailing usurious rate, cheerfully agrees to the exorbitant terms offered. The consequence was, however excessive the rate of interest might be, there was no relief to be had in the courts even when the security was good and ample. It is a significant fact that under the wave of Benthamite doctrine of freedom of contract England repealed her usury laws at almost the same time as India and the same consequences ensued, though on account of the general high standard of education the evil was not so widespread nor were the rates so unconscionable as the country was covered by a net work of banks.

308. **The Usurious Loans Act of 1918.**—In 1900, England passed the first Money-lenders' Act (63 and 64 Vic. Ch. 51) by which the courts were empowered, in cases where the interest is excessive and the terms harsh and unconscionable, to reopen the transaction, to take an account and to relieve the debtor by reducing the interest to what they considered reasonable. But India had to remain content with the

inefficient provisions of the amended Contract Act till 1918, when the Usurious Loans Act (X of 1918) was passed, closely following the provisions of Section 1 of the English Act of 1900. Where the rate of interest is excessive and the transaction is substantially unfair, the court was empowered to reopen the transaction as between the parties in a suit brought by a creditor for the enforcement of his claim, and relieve the debtor in respect of any excessive interest, having regard to the risk, the existence and nature of security, his financial condition, his necessities and his previous loan transactions with the creditor. To guard against any possible misunderstanding it was provided that the rate of interest may by itself be sufficient evidence of the transaction being substantially unfair so that the court may take action even in *ex parte* cases. The law was made applicable to all loans in cash or kind, secured or unsecured, and to all transactions which in the opinion of the court are loans in substance though not in form. This Act has been in force for the last 12 years but the consensus of informed opinion is that it is inoperative and has failed to give the relief that it was intended to afford.

•309. **Causes of its failure.**—The Royal Commission on Agriculture recommended that in every province an enquiry should be made into the causes of the failure of the Usurious Loans Act. With the concurrence of the Government of Bengal we were entrusted with the enquiry. We addressed all District Judges, on the question of the extent by which the Act is availed of, and the reasons why it has failed in its purpose. The uniform replies from almost all the District Judges supplemented in many cases by the reports of other experienced judicial officers administering the Act are in the following terms:—"the Act has not been availed of," "it is not availed of," "applied to small cause court suits but seldom in other cases," "not fully availed of," "not availed of to the extent that should be done," "very little use has been made," "not availed of to its full extent," "not availed of to very great extent" and "seldom availed of." They gave the following reasons for the failure:—

- (1) Uncertainty of some of the provisions of the Act.
- (2) Failure of the debtor to plead the Act.
- (3) Difficulty of proving that the interest is excessive.
- (4) Difficulty in reducing the interest in the absence of any statutory rate.
- (5) Want of sufficient evidence to show the usual and prevailing rate of the locality.
- (6) Difficulty of establishing that a transaction is substantially unfair.
- (7) Want of sufficient evidence to prove that consent was obtained by undue influence or unfair means.
- (8) Limited scope of the Act.
- (9) Non-appearance of defendant.

Almost all the judges ascribe the reluctance on the part of the courts in giving relief under the provisions of this Act to the following cause:—"the baffling effects of the decisions of the High Court and the Privy Council which have practically made the Act a dead letter,"

"the trend of rulings is to impress on subordinate courts that courts have no power to interfere with contracts solemnly entered upon," "discretion of courts is fettered by judicial decisions which are tending in favour of creditors," "rulings of the Privy Council stand in the way of reducing rate of interest unless certain things can be proved," etc.

310. **Examination of the contention of the judges.**—The judges have cited ten rulings of the Privy Council and the High Courts in support of the above contention, of which only two (32 C. W. N. 388 and 8 Lahore 205) are based on the Usurious Loans Act. From this fact we are inclined to think that there is a tendency to apply the principles enunciated in decisions under the Contract Act to cases under the Usurious Loans Act. The power of the court under the Contract Act is entirely distinct and separate from the power of the court in granting relief under the Usurious Loans Act and is based on entirely different grounds. The principles laid down in one class of cases cannot therefore be applicable to the other, if they conflict with the distinct provisions of the respective Acts.

311. The two cases quoted above have laid down the following principles:—

- (1) Twelve per cent. interest per annum with annual rest cannot by itself without evidence as to prevailing rate of interest or in the absence of any circumstance warranting the conclusion that the transaction was substantially unfair or that the lender dominated the will of the borrower, be considered as excessive and unfair, even though security was ample and property valuable.
- (2) No fixed rule can be enunciated as to what is reasonable rate of interest but 12 per cent. compound interest with annual rest is not unusual and cannot ordinarily be called excessive.

Each of these two cases was decided on its own circumstances and cannot be taken to fetter the discretion of the court vested by the Act to grant relief where it concludes that the rate of interest is excessive and the transaction is substantially unfair. It is true that the rate of 12 per cent. compounded annually has not been held to be excessive in the absence of other circumstances and when the suit was instituted within a reasonable period of the loan; but it appears to be still open to the courts to hold the rate of 12 per cent. as excessive and unfair if justified by proved circumstances of the case. All that has been laid down is that interest at the rate of 12 per cent. cannot by itself invite the equitable jurisdiction of the court. The question now arises if the rate of interest be quite fair, but the amount excessive through compounding, can any relief be given under the provisions of the Usurious Loans Act? The answer to this may be given on the analogy of the decision in 23 C.W.N. 233 which was decided under the Indian Contract Act. If the money-lender by his own act piles up compound interest at such a pace as would make the result after a few years, oppressive and unconscionable, relief would certainly be justifiable. It may probably be contended that so long as "interest" means rate of interest under Section 2 (1) of the Usurious Loans Act, the power of court cannot be extended for giving relief unless the rate itself be excessive or in other words, if 12 per cent. interest be not excessive by itself, piling up of the amount through compounding cannot justify

the exercise of the equitable jurisdiction of the court. But the word "rate" has not been defined anywhere and it includes not only the stipulated rate but what may be the ultimate effect of the contracted rate. That this is the intention of the legislature, will be apparent from the wording of Section 3 (2) (b), where it is enacted that "in considering whether interest is excessive under this section the court shall take into account, if compound interest is charged, the periods at which it is calculated and the total advantage which may reasonably be taken to have been expected from the transaction." The implication is that a rate of 12 per cent. if compounded annually may not be excessive in view of the decision of the High Courts and in the circumstances of the particular cases, but 12 per cent. compounded daily, weekly or monthly may justifiably be considered to be excessive. Again, if the lender has by his own act piled up the compound interest or if the principal itself is composed mainly of piled up compound interest, even the rate of 12 per cent. compounded annually may be considered to be an excessive rate.

312. Whether it is necessary to plead the Act to get relief.—It is quite clear from the Act that the defendant's presence is not necessary and that cases can be decided *ex parte*. It is however still questioned by some courts whether the court can take action under the Act *suo motu*. The wording of the Section 3 (1) in the original Bill was "the court is satisfied by evidence." In altering the phrase to "the court has reason to believe" the Select Committee stated "we have accepted the view that the court may act under provisions of this clause *suo motu*, as we attach considerable weight to the body of opinion which suggests this course and have modified the language of the Bill accordingly." Yet some judicial officers still think that they cannot take action unless the Act is pleaded. This misapprehension can only be dispelled by a clear and explicit provision in the Act laying down that the court can take action on it, whether the defendant claims its protection or not.

313. Suggested remedies.—The following remedies have been suggested by the District and Subordinate Judges:—

- (a) Fixing of standard rates of interest (Burdwan, Birbhum, Murshidabad, Dinajpur, Malda, Bakarganj, Tippera),
- (b) Prohibition of compound interest (Tippera and Dinajpur),
- (c) Shortening of the period of limitation to 3 years in cases of compound interest (Dinajpur),
- (d) Application of the rule of *damdupat* to non-Hindus and to areas outside Calcutta (Hughli, Jessore, Rangpur, Faridpur),
- (e) Interest in excess of a certain rate or compound interest beyond a certain rate and term, should be presumed to be excessive and transaction shall be presumed to be unfair (Hughli), and
- (f) Fixing of a maximum rate of interest (Tippera).

314. The suggestions have been examined and we have made our recommendations on them in discussing the proposed Money-lenders' Act in the next section of this chapter.

Money-lenders' Act.

315. Law restricting usury.—Legislation intended for controlling the operations of money-lenders has always been found necessary for the

prevention of usury or the levy of excessively high rates of interest such as are likely to ruin or permanently injure the borrowers. In all countries, until the last century, laws against usury were made and enforced. We shall see in Chapter XIII that in India, Manu and other Hindu law-givers laid down the maximum rates of interest which could be imposed on different classes of people. Manu also laid down the law fixing the maximum amount which could be recovered as interest in the following words:—

“Interest on money received at once, not month by month, nor day by day, as it ought to be, must never be more than enough to double the debt, that is, more than the amount of the principal debt, paid at the same time. Stipulated interest different from the preceding rule is invalid.”

This is commonly known as the law of *damdupat* and is at present in force only in the Bombay Presidency, Berar and the city of Calcutta. The Jews forbade levy of interest altogether except from gentiles. Islam forbade it in every case, but a later interpretation followed the Mosaic law and permitted levy of interest in a country of infidels (*dar-ul-harb*). This however is repudiated by the orthodox section of the community. Justinian followed Manu and not only laid down the maximum rates of interest for loans to different classes of persons but also fixed the maximum amount of interest that could be levied on the lines of the law of *damdupat*. He went further and forbade compound interest. Following the teachings of the New Testament, the Christian Church had forbidden the clergy to take any payment for the use of money as early as 325 A.D. Before the close of the twelfth century this prohibition was extended to the laity. In England all interest was illegal till 1545 when the maximum rate was fixed at 10 per cent. The rate was varied from time to time until in 1714 it was reduced to 5 per cent. This rate remained in force until 1854 when the usury laws were repealed and the lenders were allowed to charge any rate, however excessive, that the borrowers agreed to. Other countries in Europe had similar laws restricting the rate of interest.

316. Repeal of the usury laws in the nineteenth century.—In the middle of the last century industry in Europe was revolutionised by the introduction of machinery and mechanical power. The resulting development of trade and commerce was phenomenal. The financial accommodation required by the capitalists for production on an unprecedentedly increased scale and by merchants for distributing the manufactured articles could not be procured at the maximum rates then fixed. The usury laws were in consequence repealed in England in 1854, while most other European countries followed the example of England during the next decade. In India the usury laws were repealed in 1855. This repeal, however, did not affect the Hindus of the city of Calcutta because by an anomaly of legislature, the law of *damdupat* continued to prevail in the Original Side of the Calcutta High Court.

317. Re-introduction of usury laws.—The repeal of the usury laws resulted, as is only to be expected, in the recrudescence of usury in a more or less virulent form in every country. As early as 1880 Germany made usury a criminal offence, but the term was loosely defined as obtaining

profit by taking advantage of the necessitous condition or inexperience of the borrower, and as "exceeding the usual rate of interest in such a way that the profit seems out of proportion to services rendered." In India a half-hearted attempt was made in 1899 by the amendments of the Indian Contract Act, conferring on the courts equitable jurisdiction only in such cases relating to usurious contracts, where the element of undue influence was established. But where this element was absent, the courts had no power to grant relief, however excessive the rate of interest might be. Next year, the first Money-lenders' Act was passed in England which empowered the courts to go behind the contracts in all cases of harsh and unconscionable bargains, to reopen the transactions, to reduce the interest claimed and give relief to the borrowers. It also provided for the compulsory registration of all money-lenders. The amendments of the Indian Contract Act were found to be inefficacious in giving relief to the victims of the usurers and it was eventually found necessary to extend the provisions of the English Act to India. In 1918, the Usurious Loans Act was passed giving our courts, in cases where "the interest is excessive and the transaction is substantially unfair," powers similar to those given to the English courts by the statute of 1900. We have shown in the previous section how this Act has failed in achieving its purpose. The English statute appears to have been attended with similar results, for in 1927 it was amended, and various salutary provisions were added, such as abolishing compound interest and fixing the maximum rate of interest recoverable in courts at 20 per cent. in cases of pledges of movable property. In other cases, it was enacted that the courts shall presume that the transaction is harsh and unconscionable if the rate exceeds 48 per cent., though they were left discretion to arrive at the same finding even when the rate was less. In India, the Punjab Legislative Council passed a private Money-lenders' Bill in 1926 but the Governor withheld his consent to it. A Government Bill has however been passed last year. At present in Germany the maximum legal rate of interest on commercial loans is 5 per cent. and in France 6 per cent. though it is only 5 per cent. for ordinary loans. In all the States of America there is a legal rate of interest varying from 5 to 8 per cent., though the rate has recently been increased in Connecticut to 42 per cent. It will be seen that every country has now resiled from the position taken in the last century and re-enacted laws for the control of money-lending in some form or other.

318 Usury in Bengal.—The evils of usury are as great and as widespread in Bengal as anywhere else in the world. Our witnesses have supplied us with many instances of devastating usury which have been printed in the volumes containing their evidence. To show how great the evil is, we quote only three instances below:—

(1) A loan of Rs. 200 to the nephew of the orderly of the Subdivisional Officer at 24 per cent., compounded quarterly, became Rs. 1,200 in 8 years (Mr. K. P. Moitra, Subdivisional Officer, Arambagh, district Hooghly).

(2) Rupees 100 borrowed at 150 per cent., compounded every month, duration below 10 years; 75 per cent of the claim relinquished; still Rs. 1,500 claimed in suit (reported by Mr. B. B. Dutt, Secretary, Central Co-operative Bank, Brahmanbaria, Tippera).

(3) Rupees 30- borrowed at 570 $\frac{1}{4}$ per cent. (one pice per rupee per day) (reported by Mr. Manishinath Bose, Assistant Secretary, Midnapore Central Bank).

319. Measures against usury in other countries.—To combat this evil, the measures that have been adopted in other countries since the repeal of the usury laws in the middle of the nineteenth century are the following :—

- (1) Licensing and registration of money-lenders,
- (2) Fixing the maximum rate of interest,
- (3) Fixing the maximum amount of interest,
- (4) Reducing the period of limitation of suits for recovery of loans,
- (5) Prohibition of compound interest,
- (6) Bestowing of authority on courts to go behind the contract, reopen the transaction and reduce the interest,
- (7) Restriction of money-lending advertisements,
- (8) Imposing obligation on money-lenders to supply information to borrowers on payment of a prescribed fee,
- (9) Prohibition of charge for expenses on loans,
- (10) Punishment for false, misleading or deceptive representations by money-lenders, and
- (11) Punishment of usury as a criminal offence.

320. Licensing and registration of money-lenders.—It seems to us essential for the enforcement of any regulation against professional money-lenders that they should be licensed and their names and addresses should be registered. This measure will certainly do away with the evils of itinerant money-lending. We have been informed that this will be resented by all money-lenders. We do not think that there is any valid reason for such resentment. The members of one of the most respected professions, namely the lawyers, are all registered and have to take out licences before they can practise their profession. The members of the medical profession are also registered in Bengal. There was difficulty in this province over the proposed legislation for registering trading firms because of the existence of the joint Hindu families and the operation of the Mitakshara law of inheritance. We anticipate a similar difficulty in the case of registration of professional money-lenders from the same causes. Still we recommend legislation for the registration of professional money-lenders only and not of casual money-lenders.

321. Fixing the maximum rate of interest.—We have received a very large volume of evidence from the civil courts as well as the public, supporting the proposal to fix a legal maximum rate of interest on loans. We are however of opinion, that although other countries have fixed such maximum rates for all cases, it would not be right in the present condition of our country to do so in the case of unsecured loans. Restriction of interest must always tend to divert money available for investment from money-lending to other forms of business, and as the money available for loans in Bengal does not seem to be any too abundant at present, we think that we might leave the Usurious Loans Act to check abuses in case of unsecured loans. Secured loans,

however, stand on a different footing for when the risk of the loan being lost is very small, there are few forms of business which can compete with money-lending. The maximum rates should be fixed according to the special circumstances of each province and if necessary for different parts of the same province and for the different classes of borrowers such as agriculturists and non-agriculturists.

322. Fixing the maximum amount of interest.—It is essentially necessary for sound finance that interest should be recovered punctually and not allowed to accumulate to undue proportions. This would be equally beneficial to the borrower and the lender. It is for this reason that the law-givers like Manu and Justinian fixed the total amount of interest that should be allowed to accrue. In 1926, Mr. M. Yacub introduced a Bill in the Legislative Assembly to limit the interest charged on loans. He proposed that no interest in excess of the principal originally lent or due at the time of the suit, whichever is less, would be recoverable in a court of law. This Bill encountered almost universal opposition and was dropped. But we venture to think that a Bill limiting the total accrual of interest to the amount of the principal originally lent will not meet with so much opposition. We recommend the promulgation of such a measure.

323. Limitation of period of suits for recovery of loans.—In England the limitation of a money suit has been reduced to a year from the date on which the cause of action accrued. In India the period is three years for unregistered bonds, pro-notes, etc., six years for registered bonds and twelve years for mortgages. We do not think that if the maximum rate as well as the maximum amount of interest recoverable by suit are fixed as proposed in the preceding paragraphs, there would be any necessity for reducing our existing periods of limitation.

324. Abolition of compound interest.—The principal reason why a rate of interest is not readily recognised as usurious by the borrower is that the cumulative effect of compound interest is not realised by him unless he possesses a comparatively high degree of intelligence. Nothing but an arduous arithmetical calculation can show the amount that will accrue at compound interest with half-yearly or annual rests after lapse of a certain number of years. For instance, it will surprise most borrowers to learn, that if no interest is paid, Rs. 100 borrowed at 12 per cent. compounded with annual rests will mount up to over Rs. 310 in ten years. Justinian considered that the fixing of the maximum rate and amount of interest was not sufficient to check usury and decreed abolition of all compound interest. After many years, England appreciated the extent of the evils of this form of interest and forbade it by the Act of 1927. The evil is much more frequent and widespread in India. The conditions here must necessarily be much worse than in England where education is universal. We think that the time has come when our legislatures should take measures to save the borrowers from the consequences of compound interest. We recommend that provisions similar to those of Section 7 of the English Money-lenders' Act of 1927, be enacted in India.

325. Court's power to reduce stipulated interest.—We have already discussed the operation of the Usurious Loans Act in the previous section. The situation will be much improved if the maximum rates and amount of interest be fixed and compound interest abolished as

recommended above. The maximum rates will not, however, help the borrowers who have taken unsecured loans. To give protection to these borrowers, we think it desirable to provide, on the lines of Section 10 of the English Money-lenders' Act of 1927, that any rate in excess of 48 per cent. shall be presumed by the courts to be "excessive" within meaning of the Act, though a lower rate may also be found to be so.

326. Restrictions on advertisements.—Alluring advertisements of money-lenders are not uncommon in the Calcutta newspapers and many young and simple people are attracted by them. It is desirable to stop this evil before it grows to larger proportions, and we recommend that provisions similar to those under Section 5 of the English Money-lenders' Act, 1927, be enacted.

327. Money-lender's obligation to supply information to borrower.—The money-lenders should be obliged on reasonable demand being made and on payment of a small fee (say of 8 annas) to supply the debtors with a statement showing the date of the loan, the amount of the principal lent, the rate per cent. per annum of the stipulated interest, date and amount of all payments made, the amount of outstanding of principal and interest and the dates on which they are due. A certified copy of the bond or of the account of the debtor in the creditor's books must also be supplied when similarly demanded on payment of a fee (say of one rupee). This legislation should closely conform to the terms of Section 8 of the English Money-lenders' Act, 1927. Similar provisions have already been enacted in the Punjab.

328. Prohibition of charges for expenses.—Legitimate charges on a loan transaction, such as stamp duty, registration fee, brokerage and costs of attorneys should of course fall on the borrower, but there is a commission, generally 1 per cent. called *gadi selami*, which may be translated as office establishment charges of the money-lender, which in Calcutta and other places is deducted from the principal when the loan is issued. We consider that this imposition should be stopped on the lines of Section 12 of the English Money-lenders' Act of 1927.

329. False and deceptive representations.—Under Section 4 of the English Money-lenders' Act of 1900 any false, deceptive or misleading representation by a money-lender is made a punishable offence. This is a very salutary provision and although the necessity for it is not very acute in Bengal at present, it is desirable to place it in our Statute Book.

330. Punishment of habitual usury.—In Germany usury is a criminal offence punishable by law. We do not think a single or isolated instance of usury, which may be caused by ignorance of the law should be treated as a crime, but we think habitual usury should be made penal. There are many money-lenders, itinerant as well as others, who deal with simple people like the operatives in mills and mines. Their rates are usurious as will be seen from the summary in Vol. III, Special Questionnaire No. 7. These money-lenders very seldom take recourse to courts. Their recoveries are generally made by intimidation and not infrequently by violence. The provisions of the Usurious Loans Act will not give much relief to the victims of these sharks. We consider it necessary that habitual usury should be made a criminal offence.

331. Possible evasion of proposed legislation.—The principal objection against promulgation of the measures we have proposed above is that they are liable to be evaded in various ways. But the fact that

the provisions of a law are capable of being evaded by fraudulent means should not deter the legislature from enacting a just and necessary measure for the protection of the simple and the ignorant. The mere existence of the measure in the Statute Book would tend to educate and strengthen public opinion and make the law-abiding and less adventurous among the money-lenders averse to making any attempt at evasion. It is not impossible that the more rapacious and unscrupulous among them will try evasion, but the law will provide suitable punishment for such evasions and the courts will punish them whenever they are detected. If the evasions become too numerous and if they are found impossible to detect or prove in courts, amendments of the law may be necessary in future.

332. **Conclusion.**—We cannot better conclude this section than by quoting the following passage from Professor Hadley's "Economics" justifying the imposition of Usury Laws in a country chiefly populated by non-commercial people, such as ignorant peasantry :

"Wherever a large part of the borrowers are so ignorant that there is no effective competition among capitalists, and no market rate of interest, such prohibitions (usury laws) appear to be justified, especially if the legal rate is placed high enough to cover the risks on all ordinary loans. A usury law of this character may prevent cases of shameless extortion where the creditor so presumes on the debtor's ignorance as to charge rates far above those which ordinarily prevail. Among non-commercial peoples there is serious danger of just this thing. The Russian peasantry is now suffering severely from loans unintelligently contracted, whose charges have become a burden too heavy to be borne. Anything which can prevent the imposition of such burdens is likely to be good for the community. A law fixing a maximum rate of interest which can be collected from such borrowers may cause temporary hardship by making some men unable to borrow; but even this is much better than an assumption of obligations which purchases temporary relief at the expense of future independence."

Insolvency Acts.

333. The Civil Justice Committee, 1924-25, considered the question of amending the Provincial and Presidency Towns Insolvency Acts from the point of view of facilitating their administration and made their recommendations. We have no suggestions to offer to amend these Acts from the standpoint of banking in this province. We have carefully examined the proposal that the minimum limit of debt prescribed in Sections 9 (1) (a) and 10 (1) (a) of the Provincial Insolvency Act (V of 1920) be reduced to enable poorer people, particularly the agriculturists, to obtain the benefit of insolvency when the debt is less than Rs. 500, and we are of opinion that such reduction is unnecessary. Insolvency will not be of much help to one who is unable to repay a debt of Rs. 100 or Rs. 200. Lowering the limit will tend to increase insolvency proceedings in the case of poorer agriculturists and convert them into landless labourers.

Legislation to promote a better record of rights or to protect tenant's rights.

334. The records of rights are prepared under Chapter X of the Bengal Tenancy Act by a procedure known as "settlement." The

settlement proceedings in Bengal began in the last decade of the nineteenth century and have not been completed yet. When first prepared, the records are fairly correct, but to be reliable and up to date, they require to be maintained by the entry of all subsequent transfers, partitions and changes in the conditions of the tenancies. To create a legal presumption of their correctness, they must be maintained by a State agency. They are not so maintained except in the Government estates and in the estates of a few great zamindars who pay the cost of the maintenance. There is no suitable village agency available in the Government estates, and the collection agencies employed for the purpose have their hands too full of their legitimate work of realising rents and cesses and little leisure to devote to the work of maintenance of records. Consequently, the work is not satisfactorily done. Many schemes were prepared from time to time to keep the records in all estates up to date, but they have proved too expensive to carry out. We recognise the great importance of this work for facilitating credit for the agriculturists and also the tenure-holders, but we cannot ignore the fact, that the creation of an efficient agency to do the work will impose too heavy a burden on those who have interest in land, the effects of which will probably be quite incommensurate with the increase in their credit. In these circumstances, we are not in a position to make any useful suggestion for any suitable measure to promote a better record of rights in this province.

Delay in disposal of cases and execution of decrees.

335. **Delay in disposal of cases.**—The law's delays are proverbial and are perhaps as great in this province as anywhere else in India. As this matter formed a subject of a thorough examination by the Civil Justice Committee presided over by our present Chief Justice only five years ago, we have not made any special enquiries into it and have but one recommendation to make.

336. **Extension of the Rule of the Original Side of the High Court.**—In the Original Side of the High Court, the rules made by the Court require that all commercial causes must come on the list within six months of the admission of the plaint. As a matter of fact, they are usually disposed of within that period. Mortgage suits do not fall under these rules, but they are generally undefended in the High Court and the preliminary decrees are usually passed well within that period. In all Courts of Small Causes ordinary diligence on the part of the plaintiff generally secures disposal within the same time. But in the mufassal courts of Subordinate Judges and Munsiffs, the delay is often very great. We need not go into the reasons for these delays and the suggested remedies which have been dealt with by the Civil Justice Committee. We would venture to recommend that, if there be no insuperable objection, the above mentioned rule of the Original Side of the High Court should be extended to all courts of original jurisdiction throughout the province, including Courts of Small Causes and made applicable to all suits for the recovery of loans secured and unsecured.

337. **Delay in execution of decrees.**—The delay in execution proceedings is often very great, particularly in mortgage suits. The Civil Justice Committee has dealt with this matter exhaustively in Chapters 29, 30, 31 and 32 of their report and made their recommendations. We feel we have nothing to add to those carefully thought-out proposals.

Legal obstacles against realisation of just claims of money-lenders.

338. Money-lenders have a tendency to condemn many provisions of civil law as obstacles against realisation of their claims. The law has been made not only to protect the just claims of the plaintiffs, but also to safeguard the equally just interests of the defendants and third parties, and discretion has been given to courts in every case to prevent injustice being done. The operation of the law may in some cases appear to the plaintiff-money-lender to impede the realisation of his dues, but these provisions of the law cannot be dispensed with without jeopardising the rights of the defendants and third parties. If any of these strict provisions of law be relaxed, it may provide a handle for oppression to the fraudulent money-lender. The creditor has in all cases to exercise due caution and make all possible enquiries before giving a loan, and if he fails to have done so, he cannot justly complain of the operations of the law. We are therefore not inclined to recommend any revision of law of civil procedure for the benefit of the money-lenders.

Equitable Mortgage.

339. Equitable mortgages are defined as mortgages made by delivery to the creditor of the documents of title to immovable property with intent to create a security thereon. In this province they are legal only in the town of Calcutta. An indigenous banker of Dacca has recommended that they should be made legal in Dacca also. There has been no demand for such extension to any other place in the province. We, however, think that the law can be extended to Dacca, Narayanguj and Chittagong, provided that every such mortgage is made by the execution of a document which must be registered. Otherwise a search in the registry office will not disclose the existence of such mortgages and other creditors may be induced to lend on a regular mortgage, unaware of the existence of a previous encumbrance in the form of an equitable mortgage.

Titles in land.

340. **Records of rights.**—The records of rights prepared under Chapter X of the Bengal Tenancy Act, are legally presumed to be correct until the contrary is proved. They are of inestimable value in establishing every kind of title to land. They lose some of their value, however, when they are old, as they are not maintained by any State agency. But even in such cases, it is not very difficult to prove title by evidence of transfers subsequent to the preparation of the records.

341. **Landholders.**—The proprietors of all estates, revenue-paying and revenue-free, have to register their names in the Collector's Register D, within six months of acquiring their titles, on pain of a revenue fine. They are further debarred from recovering rents from the tenure-holders and raiyats of the estate by means of rent suits unless they are so registered. The present provisions of the law are we think sufficient, though we are aware that many titles are not registered. The loss, however, is that of the proprietors themselves, and as it is due to their own *laches*, we do not suggest any further measures to secure compliance with the law. A certified copy of the entry in the D Register is considered as a valid title to an estate.

342. **Tenure-holders.**—The tenure-holders in an estate are recorded in the books of the proprietors. But this record is made only to assist the proprietor in making collection and not to establish the tenure-holder's title. The proprietors record the mutations on payment of a premium (*salami*), the amount of which depends on his pleasure except in the case of permanent tenures where it is fixed by Section 12 of the Bengal Tenancy Act. But almost every tenure-holder has his registered lease, which establishes his title in any court. The lease is handed over along with the conveyance when the tenure is transferred. The civil and revenue courts issue a certificate of transfer (*bainama*) when a tenure is sold by them, which takes the place of a conveyance. The lease and the conveyance or the court's certificate are full and sufficient title deeds to the tenures.

343. In case of transfer by inheritance title is established by the probate of a will or letters of administration, but when there is no will, further proof, oral or documentary, is necessary to establish the title. We have not heard of any difficulty in obtaining such evidence and we do not think that any legislation is necessary at present to provide for the registration of transfers of tenures by inheritance.

344. **Raiyati holdings.**—Most of the raiyats have leases of their holdings and transfers are always made by conveyances except in cases of inheritance. As in the case of tenures titles acquired by inheritance have to be proved by further evidence but we do not think that there is much difficulty in producing such evidence, even when there is no will. When there is no lease or record of right, a raiyat can prove his title only by production of rent receipts for twelve years supported by oral evidence, but such cases are rare.

345. Under the present law a landlord is bound to recognise all conveyances of occupancy holding which are made by registered documents. The law has been made very recently and it is too early to consider whether any amendment is necessary to establish the titles of the raiyats to their holdings in any other manner.

Part V.

Indigenous Finance.

CHAPTER XIII.

Indigenous Banks and Bankers.

History of Indigenous Banking and Money-Lending.

346. **Vedic age.**—In India, money-lending can be traced back to about 2000 B.C. in the Vedic period, but no evidence of its then being followed as a profession by any section of the people, or details about the terms on which money was lent, are available. Individuals borrowed money from their friends for private needs or for games of dice, and failure to repay debts was a matter for condemnation, sometimes entailing slavery on the debtor.

347. **Buddhist age.**—It is from the 5th century B.C. that the Indian literature supplies us with definite evidence of the details of money-lending and of remittance of money in cash or by credit instruments. Our information for this period i.e., from the 5th century B.C. to the 4th century A.C. is mainly derived from the Buddhist Jātakas and some of the Avadānas, the Mahābhārata, a few books comprised in the Buddhist Tripiṭaka, the Kauṭīliya Arthaśāstra and the earlier Dharmaśāstras.

348. **Śreṣṭhis of Ancient India.**—The Buddhist works present us with a picture of well organised institutions called śrenīs (guilds) (Mahāvastu, III, page 113) carrying on various commercial and industrial activities. The śreṣṭhis occupied prominent positions in these guilds. In each of the important trade-centres of the Buddhist period, e.g., Campā, Rājagṛha, Śrāvastī, Kauśāmbī, and Avanti, there lived many śreṣṭhis of great influence. Their main function was to finance the traders for the ordinary purposes of their trades, the merchant adventurers who went out by sea to foreign countries or explorers who traversed forests in search of valuable materials, and the kings in times of war and other financial stress. In course of time the term śreṣṭhi was used independently of its connection with the possession of vast resources. There were persons who were descendants of the śreṣṭhi families and therefore bore the surname, but were so circumstanced that they had to earn their livelihood as petty shop-keepers (Dhammapada Aṭṭhakathā, III, page 18) or traders. A richer class among the śreṣṭhis was called mahāśreṣṭhi. Each of this class according to the accounts, owned wealth of more than 40 crores (kotis) (Ibid., I, page 391).

349. **Śreṣṭhis and kings.**—The wealthiest man among the Śreṣṭhis in a kingdom was usually made the royal treasurer, and as a token of his high position the king presented him with the insignia in the form of an umbrella called śreṣṭhi-chatra (Ibid., IV, page 216). The existence of many śreṣṭhis in a country was indicative of its industrial and commercial prosperity, and for this reason they were regarded as an important asset to a kingdom. Bimbisāra, the king of Magadha, who had as many as five immensely rich śreṣṭhis in the different parts of his empire, was once approached by his friend Pasenadi (Prasenajit), the king of Kosala, for persuading one of the śreṣṭhis to settle in the latter's kingdom. These śreṣṭhis were so rich and influential that even Bimbisāra felt diffident that his request for removal to Pasenadi's

kingdom would not carry weight with these influential bankers (*mahā-kulāni amhehi cāletum na sakkā*. Ibid., I, pages 385-6). From such accounts it is evident that the *śreṣṭhīs* wielded a great power in the political as well as commercial life of a State.

350. Money-lending.—The Buddhist texts abound in references to the practice of lending money on interest. The *Mahābhārata* also refers to the State lending money to the agriculturists at 12 per cent. per annum (*Sabhāparva*, Chapter 5, slk. 82, *pratyekaṇ ca śatam vṛddhyā*).

351. Advances without interest.—But there are also a few instances of money being lent without any interest. Some of the Buddhist texts refer to persons taking loan (*īṇa*) in money or in kind, engaging in business (*kammanta*) with the money or goods thus obtained and after repayment of the principal only (*īṇa-mūla*) to his creditor, utilising the profit for the maintenance of himself and his family (*Dīgha Nikāya*, I, page 71). Manu enjoins that a *Brahmaṇa* or *Kṣatriya* should not, as a rule, lend money except to help a person in distress or for its utilization for some sacred purpose. In such cases he can charge interest from a sinful person, implying thereby that he should lend money to good but needy persons without any interest (Manu, X, 117). Abul Fazl (*Blochmann's Ain-i-Akbari*, page 285) informs us that in his time, money was advanced by the State to Government officials, no interest being charged on the amount in the first year.

352. Loans with interest.—The more common practice was lending money on interest (*vaddhim paṭisunāti*, *Āṅguttara Nikāya*, III, page 352), the principal and the interest being payable at fixed intervals (*kālābhatam vaddhim*, Ibid.). The payments could be made in cash or kind, or by performance of an allotted task (*Jātaka*, IV, 159). The Buddhist texts, however, nowhere specify the rates of interest. Loans were mostly advanced without any written bond or other document. There are two instances in the *Jātaka* (I, 230; IV, 256) where mention is made of the execution of a document (*īṇapanna* equivalent to Sans. *ṛnapatra*) for the loan. There were also negotiators of loans (*īṇa-sādhaka*, *Milindapañha*, page 365). The misery of the debtors on account of the repeated demands of the creditors was sometimes so great that they fled away, and even committed suicide (*Therīgāthā*, 443; *Sutta Nipāta*, 120; *Jātaka*, IV, 256). Failure to pay the principal or the interest was visited with imprisonment (*bandhanam*, Ibid., page 353).

353. Securities for loans.—As a safeguard against failure to repay the debt, there was the practice of pledging movables or furnishing a surety (*pātibhoga*, *Visuddhimagga*, 556). To help a trader by lending him money or grain, and to stand as a surety for a loan was referred to as a noble and meritorious deed.

354. Money-lending as a subject of study.—It is evident from the foregoing accounts that money-lending was recognised as an honourable profession. The *Kauṭīliya* recognizes its importance for the economic advance of a country, and prescribes that the king should regulate the rate of interest, lay down rules for the protection of debtors and creditors and see that these rules are duly observed. In his time, however, money-lending (*kusīda*) does not appear as a component of *vārtta* (economics) i.e., as a branch of the four subjects of study, viz., *ānvikṣikī* (logic), *trayī* (three Vedas), *vārtta* (economics) and *daṇḍanīti* (science of polity) (*Indian Antiquary*, 1910). Manu (VIII, page 410) is the earliest authority to include it in the science of *vārtta*, which formerly comprised only agriculture, cattle-rearing and trade, but not

money-lending. The significance of the inclusion of money-lending in the list of subjects of study is that the business of money-lending became the subject matter of intensive study by the scholars. The results of these studies are found embodied in the law codes, their commentaries and the Nibandhas.

355. Rates of interest.—The Kauṭīliya.—The Kauṭīliya prescribes the maximum legal rate of interest on secured loans (for the details of forms of security, mortgage, pledge, etc., in the Kauṭīliya, see *Studies in Ancient Hindu Polity*, pages 179-188) as 15 per cent., and that on unsecured loans as 60 per cent. without any discrimination as to caste. He, however, allowed the rate to vary according to the risk involved in special circumstances, e.g., 120 and 240 per cent. per annum were allowed to be charged on loans advanced to forest and sea-going traders respectively. The interest on grain loans in times of good harvest was not allowed to exceed half its quantity (50 per cent.), and that on the capital invested in commercial concerns was one half of the profit made payable as each year expired. Kauṭīliya exempts the following persons from payment of interest: (i) persons engaged in long continued sacrifices; (ii) the diseased; (iii) those detained in the house of their preceptor for studies; (iv) minors, and (v) the indigent (see Kauṭīliya, Book III, Chapter II and *Studies in Ancient Hindu Polity*, pages 170-8).

356. The Dharmaśāstras.—The Dharmaśāstras are in general agreement with the Kauṭīliya except that they have introduced caste as an important factor in money-lending. They lay down that the Vaiśyas alone can take to the profession of money-lending, while the members of the other castes can lend money occasionally but must not adopt it as a profession. They also enjoin that the interest payable on secured loans by the members of all the four castes should be 15 per cent., while that on unsecured loans payable by a Brāhmaṇa should be 24 per cent., by a Kṣatriya 36 per cent., by a Vaiśya 48 per cent. and by a Śūdra 60 per cent. It should be noted that the Kauṭīliya had prescribed 60 per cent. as the maximum rate of interest payable on unsecured loans. Thus the Śūdras were charged according to the Dharmaśāstras at the maximum rate, while the concessions mentioned above were made to the members of the higher castes. The maximum legal rate therefore was 60 per cent. Manu enjoins that any stipulation beyond this rate was null and void. He discouraged compound interest (cakravāṛddhi), periodical, i.e., monthly interest (kālavāṛddhi), stipulated interest (kāritā) i.e., a high rate of interest not approved by the Śāstras yet agreed to by the debtor on account of his distress, and corporal interest (kāyikā) i.e., interest in the form of physical labour of the debtor or the use of the body of the pledged animal or slave (Manu, VIII, 153). Manu's mention of the aforesaid kinds of interest indicates that they were in vogue at the latest in the second or the third century A.C. Brhaspati (XI, 4-12) mentions two other forms of interest called śikhavāṛddhi and bhogalābha. Interest payable every day (pratyaham grhyatayā) is śikhavāṛddhi, and interest payable through usufruct of the security is bhogalābha. Manu sets a limit to the amount of interest which could be claimed by the creditor at one time in money transactions. This limit prescribes that the amount of interest paid at a time must never exceed double the principal. But according to the commentators, the whole sum payable should not exceed double the sum lent (Bühler's note). In loans of grain, fruits, wool and beasts of burden the interest paid at any one time must not exceed five times

the principal. Like the Kautīliya the law code of Manu prescribes that all transgressions of law relating to money-lending are to be punished by the State (VIII, 4).

357. **Endowment deposits with guilds.**—There are a few inscriptions of various periods ranging from the third or fourth to the sixteenth century A.C., recording that for perpetual endowments, donors deposited money with the guilds of potters, oil-pressers, bamboo-workers, braziers, etc., enjoining compliance with their pious wishes, such as feeding the monks of a monastery, maintaining lamps in temples and so forth. (Nasik and Junnar Buddhist Cave Inscriptions in Lüder's List, Nos. 1133, 1137, 1167, 1165; Gaya Inscription in the Indian Historical Quarterly, Volume VI, No. I). The guilds invested the sums in their own business and paid out of the profits sufficient amounts by way of interest to meet the wishes of the donors. In some of the instances the guilds are found to have paid to the beneficiaries interest varying from 9 to 12 per cent. (Mookerji, *Local Government in Ancient India*, 2nd edition, pages 96-110).

358. **During the Muhammadan Rule.**—*State loans to officials and royal household.*—Abul Fazl in his *Ain-i-Akbari* (page 265) speaks of loans given to the State officials from the royal treasury. In the first year, no interest was charged, but, from the second year, interest ran as follows:—

Year.	Per cent.
2nd	6½
3rd	12½
4th	25
5th to 7th	50
8th to 10th	75
10th (sic) year onwards	100

This practice of the State, says Abul Fazl, operated as a check on the usurers (*Ibid.*, page 265), who must have been charging a still higher rate of interest. The system of payment by *Farmāns*, *Parwanchas* and *Barāts* (i.e., orders for payment) was also in use. This mode of payment was generally adopted in the case of State officials, begums, princes, etc. (*Ain-i-Akbari*, page 262).

359. **Bankers and their Royal Clients.**—The bankers have in all times and countries been pillars of strength to the kings. From the available accounts we find that the Indian rulers had also to depend on the wealthy bankers in times of financial difficulties. The *Tārīkh-i-Firoz Shāhi* (Elliot's *History of India*, III, page 282) states that when Sultan Firoz Shah reached Sarsuti in the course of his march "the bankers and merchants of the place assembled and brought several lacs of tankas to the Sultan who accepted the money as loan, and promised to repay it after his arrival at Delhi. All the money thus received was paid to the army." Lyall writes in his *Asiatic Studies* (First series, pages 258-9) that in the 18th century there was a "rich, enterprising, commercial and banking class who conducted exchange operations all over India. The great bankers of Upper India look back gratefully, from these levelling times of railway and telegraph, to the golden days of immense profits upon daring ventures, when swift

runners brought secret news of a decisive battle, or a great military leader offered any terms for a loan which would pay his mutinous troops. In these times a man whose bills were duly cashed in every camp and court of the Northern Provinces had often to remit specie at all hazard and the best swords of Rajputana were at the service of the longest purse." Lyall and Grant Duff (*History of the Maharattas*, I, page 529f.) present us with a vivid picture of the various banking houses situated in the different parts of India, communicating with one another by cipher messages*, and making profit by advancing loans to the chieftains who proved victorious in battles. They had to keep in their service fast runners to bring them news of battles and to carry advice to their correspondents for making payments to their clients. Baji Rao became so much involved in debts "on account of his large army that the soucars or seths refused to make him any further advances." (Duff, *History of the Mahrattas*, I, page 390). Similar was the position of Ballāla Sena in Bengal in the twelfth century. He became involved in debts on account of his war with the King of Manipur. At this time, the members of the suvarnavanik caste attained prominence in Bengal as wealthy bankers and performed the functions of the seths. Ballāla wanted to have from Vallabhānanda Adhya, the richest among the said community, a second loan in addition to the first of a crore of rupees, but the latter refused, as he suspected foul play, and thus became a victim of the king's wrath (Ballāla-carita, A.S.B.ed., Uttara Khaṇḍa, Chapter 2). Sometimes these kings or chieftains refused to repay the loans and even plundered the banking houses. Grant Duff writes that in 1742 Mir Habib, a general of the Mahrattas, "plundered the banking houses of Jugat Sett Alumchand of the enormous sum of two millions and a half sterling" (op. cit., I, page 427).

360. **Agricultural Loans.**—In the Bengali literature of the 10th to the 12th century A.C. the record of the details of the profession of money-lending is scanty. In the Mymensingh Gītikā (page 44) references are made only to mahajans advancing money to agriculturists in times of famine and flood and appropriating the paddy fields of the debtors in payment of the principal and interest. A graphic account of the relation between the debtors (khātaka) and the creditors (mahājana) is given in the well-known work Nildarpaṇ (V, 1) of Dinabandhu Mitra. When a debtor borrowed money and paddy from a creditor to meet his requirements during the year, he had to pay back the principal with interest in cash at the end of the year by selling tobacco, sugarcane, sessamum, etc., or in kind on the basis of the price of the commodities. In repayment in kind, the debtor had to add to the borrowed quantity by either $37\frac{1}{2}$ per cent, or 50 per cent, for interest. If owing to a bad harvest, or some unnecessary expenditure, the debtor failed to repay the debt, it was entered in the mahajan's books as an arrear (bāki bakeyā) and was recovered gradually. The mahajans never went to court for realising their dues; consequently they treated the arrears as bad debts for the time being. As a safeguard against losses, the mahajans sometimes went to the fields and watched the debtors to

*A specimen of the cipher message is as follows:—"Two pearls have been dissolved, twenty-seven gold mohurs have been lost, and of the silver and copper the total cannot be cast up." The pearls refer to the two Mahratta generals, the gold mohurs to the officers, and silver and copper to the soldiers of higher and lower grades.

see whether they were taking proper care of their holdings or whether the sum borrowed by them for paying rent corresponded to the area of the plot under cultivation. Sometimes, the debtors through want of foresight caused losses to the mahajans and themselves suffered for that reason (cf. the remarks of Mr. E. B. Alexander, Collector of Etawa, in R. C. Dutt's *Economic History*, page 433).

361. Francis Buchanan Hamilton has left us valuable records for studying the economic conditions of Dinajpur, Purnea, and other districts of Bengal in the first decade of the nineteenth century. He says that the average rate of interest prevalent in these districts was 12 to 18 per cent. (Dinajpur, pages 207, 211, 227), but the rate of interest together with other charges realised by the goldars (manufacturers of sugar) for sums advanced to the cultivators amounted to 17 to 20 per cent., of which 8 to 11 per cent. per year ("1½ to 1¾ anna on the rupee") was expressly taken as interest and the balance as munafa (profit), etc. (Ibid., page 307). The total amount was usually repaid in kind, i.e., by the extract of the sugarcane. Buchanan Hamilton (Dinajpur, page 312) does not mention the figures for the various charges realized by the indigo manufacturers, but they were probably the same as for the sugar manufacturers. The advances were made to the big contracting farmers (mondals) who in their turn distributed the advances among the cultivators. For acting as middlemen between the European manufacturers and the cultivators, they charged 6½ per cent. of the produce as their commission. Each contracting farmer used to deliver a formal written agreement called satta, binding himself to see that a certain number of bighas is cultivated. Besides the manufacturers of sugar and indigo, there were the dealers in grains. Generally the rich farmers advanced money to the cultivators between the middle of June and the middle of November, and charged 37½ per cent. as interest and 5 per cent. as profit, totalling 42½ per cent. They usually took repayment in kind and stocked the grain for a favourable market (Ibid., page 320).

362. **Non-Agricultural Loans.**—Besides the cultivators, there were also small non-agricultural borrowers. In the *Kavikāṅkaṇaṇḍī* (Bangavasi ed., pages 73, 155) we read of needy persons approaching the vaniks or poddars who were also called mahajans for loans of small sums. The vaniks used to lend money with or without security and with or without bonds. During the last quarter of the sixteenth century, the usurers used to charge interest at the rate of more than 500 per cent. (Ibid.).

363. Buchanan Hamilton informs us that the traders were financed mostly by the saudagars and mahajans. The former did business with a large capital and owned vessels for transport of merchandise, while the latter had moderate capital of Rs. 2,000 to Rs. 25,000 and hired vessels as occasions demanded (Dinajpur, page 317). At Dinajpur there was a very rich saudagar family to which belonged the well-known banker Baidya Nath Mondol who had transactions with two very rich houses, one being Bhojraj of Bhojpur near Patna, and the other Thakurdas Nandi of Kalna, district Burdwan. There were seven rich bankers called kuthiwallas in Murshidabad with their agents at important places. They were all of the Oswal sect of Western India settled in Bengal (Dinajpur, pages 320-1). They imported European

woollens, pepper, spices, cotton shawls, metal and hardware, and exported ginger and turmeric, but their principal business was "granting bills of exchange for money." During the Muhammadan rule, the revenue collected from the zemindars at various places was usually remitted to Murshidabad through these bankers. "This branch of profit they have now lost, and are chiefly employed by the landlords in keeping the rents, in paying their revenue, and in remitting the surplus to such as reside at a distance, which is the case with the greater part. The money also, which is necessary for purchasing the exports, is chiefly sent to the district through these houses. Bills are never discounted by these bankers, except by the house of Jogoteseit (Jagat Seth) and even by that very rarely (?) but they occasionally lend money in advance to landholders who are in arrear of revenue." Of the kuthiwallas, Jagat Seth only discounted bills. In his Purnea Report (Ed. 1928, page 583) Buchanan Hamilton writes that at Purnea there were seven kuthiwallas: of them the kuthis of Jagat Seth and Lala Meghraj were the most prominent. The agents of these two bankers as also those of the kuthiwalla Baidyanath, living in Purnea district, granted "bills for money paid to them and discounted the bills of others." Jagat Seth granted bills on any part of India while the others only on Calcutta, Dacca, Murshidabad and Patna. The rate of discount on bills for a short term payable at Murshidabad for cash paid at Dinajpur was $\frac{1}{2}$ to 1 per cent. while for those payable at Calcutta was 1 to $1\frac{1}{2}$ per cent. The other four kuthiwallas granted bills for money paid to them, but did not discount bills. One of the principal items of business of these kuthiwallas, excepting Jagat Seth and Meghraj, was keeping the rents collected by the landholders and punctually paying their revenues to the State. (Purnea, page 583). They also sometimes advanced money to the landholders to clear arrears of revenue, and charged them interest at the rate of 12 per cent. But they charged another 12 per cent. as munafa deducting this amount at the time of advancing the loan (Dinajpur, page 321).

364. **Money-changers.**—While describing the systems of coinage, Abul Fazal refers to a class of men called sairafi (Ain-i-Akbari, page 18) who became coin experts and could determine the degree of purity of the coins. Blochmann calls them the forerunners of modern shroffs. In Akbar's time, there were in use twenty-six kinds of gold, nine kinds of silver, and four kinds of copper coins, and a bān (discount) was allowed for changing one coin into another. Hence the profession of money-changing was necessary.

365. Tavernier (17th century) realised in connection with his own business transactions the importance of shroffs, "who acted as bankers and money-changers, and remitted money for others from one town to another and issued letters of exchange" (Tavernier's Travels, I, pages 28, 35; II, 91). He also tells us that on account of the existence of a large variety of coins, the shroffs made a great profit from money-changing. They generally belonged to the third caste, vaiśyas, and were very skilful in their trade (Ibid., II, 183).

366. The existence of a powerful body of shroffs was noticed by H. Verelst, Governor of Bengal (1767). He records that the East India Company had to take help of this class of men for guarding against the withdrawal of coins from circulation. They allowed them the usual

discount or *bātā* on *siccā* rupees. The *siccā* rupees were accepted at the Company's mint three years after issue at the rate of 111/116 parts of the original value. They were recoinced, i.e., raised in value by 5/116. This after deduction of the expenses of coinage and duties and the fee of 1/116 to the assayer of metals left 3/116 to the *shroffs* i.e., about 2½ per cent. They however made a further profit as they collected the coins from their possessors at a discount. This practice of the *shroffs* was, as stated by Verelst, introduced by Jagat Seth at the time of Nawab Jafar Khan, but the custom may have been much older (A View of the Rise, Progress and Present State of the English Government, in Bengal, 1772, pages 94-5).

367. Buchanan Hamilton (Purnea, page 583) also speaks of the *surafs* (*shroffs*) whose function was giving change for gold and silver coins. They generally had stocks-in-trade of about Rs. 500 to Rs. 1,000. Change for larger amounts of gold and silver coins could be given only by the *kuthiwallahs*. The maximum amount that could be given at a time by Jagat Seth was a lakh, and half that amount by the other *kuthiwallahs*. The *shroffs* also made purchases and sales of bullion, but they were not gold or silversmiths.

368. **Small Shroffs (poddars).**—There was another class of *shroffs* usually called *poddars*, who exchanged *cowries* (shells) and silver coins, the usual currency of a Bengal market (Cf. Kavikankan, page 155). The silver currency was called *Kaldar* or the new milled coins of Calcutta. There were also some old unmilled coins and French rupees, the latter circulating at a heavy discount (Dinajpur, page 323). *Cowries* or shells were much in use in the market transactions. At Dinajpur, the *poddars* attended markets with *cowries* placed in heaps before them. The maximum worth of a heap was Rs. 15. The people who came for marketing had their silver changed into *cowries* from these *poddars* receiving 5,760 *cowries* for one rupee. In the evening, the *hucksters* came to the *poddars* for having their *cowries* changed into silver. At that time, the *poddars* took 5,920 *cowries* in exchange for one rupee, making a profit of 160 *cowries* per rupee, i.e., 1/36 part of a rupee. This rate was for the *kaldar* coins only. It was different for the French rupees.

369. The *poddars* sometimes advanced *cowries* to those who depended on monthly wages for their daily expenses, and at the end of the month, they took from them silver rupees at the rate of 5,600 *cowries* to a rupee, i.e., making "a profit of 4/47 a month for his money (i.e., about 60 per cent. per annum) but very often losing the principal" (Dinajpur, page 322).

370. In the districts of Rangpur and Purnea, there were classes of money-lenders called "*rokari mahajans* (i.e., merchants who kept accounts in cash) and *nagadi mahajans* (i.e., dealers in ready money)" (Purnea, page 584). There were also some *gossain* or *sannyasi* merchants who followed this profession. Their principal business was exporting silk cloth. Some of them "dealt in money and jewels or in grain and the articles usually sold along with it." (Purnea, pages 577, 578).

(This note is the result of the researches of our colleague Dr. N. N. Law, M.A., B.L., Ph.D., F.R.S. Some information has been collected from Dr. Jain's "Indigenous Banking in India.")

Indigenous Banks and Bankers at the present time.

371. **Extent and character.**—In chapter XV we have defined the business of banking as taking deposits and discounting bills or lending money. In our questionnaire (note at the head of Part II) we have defined indigenous banking as receiving deposits and dealing in hundis or lending money. There are not many indigenous bankers at present in Bengal who satisfy both the conditions of this definition. So we have practically limited our investigation on indigenous banking to individuals and firms who deal in hundis whether they take deposits at present or not. Many of the bankers who used to take deposits have now ceased to do so and we could not therefore insist on the first qualification. The indigenous money-lender on the other hand while he lends money does not deal in hundis. The only distinguishing characteristic of the indigenous banker is therefore dealing in hundis.

372. There are few indigenous bankers who carry on the business of banking alone. We have come across only two such firms in Dacca. The majority of indigenous bankers combine banking with some form of trade, wholesale or retail. They finance a considerable proportion of the distributive trade of the province. The combination of banking with trade existed in the past and the fact that it has been subsisting even to-day confirms the opinion that such combination is not unsound and is a special form of banking evolution suitable to the conditions of the country. The personal relations which grow out of trade have to a great extent been responsible for making the function of banking attractive to the trader as such relations help him to turn his surplus to good account. The lending operations undertaken by him have further the indirect and no less important effect of securing an advantage in his trading business, because the loans made to the producers bind them to the lending trader by a tacit or explicit understanding to sell their produce to him. Lastly, the banking business is of paramount importance to the trader in the remittance of his funds and collection of his dues. The absence of any other banking institutions suitable for these purposes has stimulated the development of this kind of mixed business specially in the mufassal.

373. Although the work of the majority of indigenous bankers is under both the heads of trading and banking, they do not usually keep separate accounts for the different branches of their business nor do they have any separate establishments nor ear-mark any particular funds for either of them. The establishment as well as the controlling authority being the same in both the branches, the work of management is minimised and facilitated to a great extent.

374. The business of indigenous banking is confined to Hindus only and we have not come across any indigenous banker professing any other faith. Most of these bankers practising in Bengal are non-Bengalees, chiefly Marwaris and there are only a few Bengalees engaged in this business.

375. **Number.**—We have been unable to ascertain the number of indigenous bankers operating in this province. The Census Report of 1921 did not distinguish them from joint stock bankers on the one hand and money-lenders on the other. The Income-tax authorities have

given us some figures from which we find that there are 4,187 indigenous bankers or banking firms who pay income-tax. But the Income-tax Officers whom we have examined have given us the following numbers :—

Dacca	...	...	...	...	6
Chittagong	...	...	...	...	3 or 4
Midnapore	...	...	...	...	4 or 5
Bakarganj	...	...	...	...	20
Rangpur	...	...	...	...	10
Tipperah	...	...	...	...	12

The figures given by the Commissioner or the Income-tax Officers cannot therefore be accepted as correct, as the registers and returns of the Income-tax Department do not distinguish the indigenous bankers from money-lenders and the definition of the term which we gave in our questionnaire was not clearly understood. All that we have been able to ascertain is that there are only a few such bankers or firms whose number is only a few scores and that their number is decreasing. The falling off in the value of hundi stamps sold, shown in Chapter III, points also to the same conclusion. Formerly the whole of the internal trade of the province was financed by them, but from the evidence of the Indian Chamber of Commerce we find that business worth at least 2 crores out of 46 has been taken up by the Imperial Bank and 22 crores by the merchants themselves. The remaining 22 crores is said to be in the hands of the indigenous bankers at present.

376. Methods of business.—Capital.—The largest proportion of the working capital of indigenous bankers is furnished by themselves. Only a very small proportion is derived from the deposits that they take. As the capital employed in banking is not distinguished in their accounts from that employed on trade and as they are extremely reluctant to publish any figures about the extent of their business we could not ascertain the amount of capital employed by them. There is no doubt however that in some cases their capital is quite considerable. About half a dozen big firms in Calcutta employ a sum of no less than 2 crores of rupees, while two firms in Dacca are reported to be dealing with 9 lakhs and 6 lakhs, respectively.

377. Deposits.—The receiving of deposits was once an important function of the indigenous bankers but this branch of their business has been steadily dwindling. In Calcutta the reason is said to be the competition of the great banks, foreign as well as Indian, and of Government. We have heard a complaint that the high rate of interest offered on treasury bills has seriously affected the deposits in some of the big Calcutta firms. In the mufassal the dwindling of deposits is attributed to the competition of the co-operative banks and the loan offices. The indigenous banker seldom issues a pass-book or gives a receipt to the depositor. No detailed information could be obtained by us about the conditions on which these deposits are taken or the rates of interest offered, but from the meagre evidence before us we gather that the deposits are usually repayable on demand or after notice of a few days, and that the rates of interest vary from 6 to 12 per cent. on fixed deposits and 3 to 9 per cent. on current account. One firm in Dacca allows interest of $4\frac{1}{2}$ per cent. on deposits repayable at a fortnight's

notice. The depositors are attracted to other institutions not merely because their rates of interest on deposits are higher, for in several cases they are lower, but because of the sense of security engendered by publicity and businesslike methods of such institutions.

378. Cash balance.—Banking traders usually do not keep any surplus cash balance over and above what may be required in their business. The few bankers who do not engage in trade are likely to have considerable surplus during the slack season. This balance, and the surplus balance of other indigenous bankers in the mufassal is, during the slack season, drawn to the provincial capital for investment in treasury bills or other forms of Government securities or for deposit in some of the commercial banks which offer interest on current accounts.

379. Lines and terms of advance.—Advances are made by the indigenous bankers without any discrimination as to the purpose for which the loan is to be employed. They satisfy themselves only on the sufficiency of the security which is furnished as cover for the loan, or if there be no security, that the borrower is solvent enough for the extent of the credit allowed. It cannot therefore be ascertained what proportion of the loans given by them is used for agriculture, industry, trade or other purposes.

380. Agriculture.—The part played by the indigenous bankers in the financing of agriculture is insignificant. Only a very small number of such bankers lend money to the cultivators who generally depend on the professional money-lenders, the co-operative societies or the loan offices for their finance, but when the banker is also a trader, it is not unusual for him to advance money to the cultivator on condition that the produce must be sold to him. These advances or dadans are given by all classes of traders and not by the banking traders only. When such advance is given it is usually stipulated that the produce should be brought to the lender and sold to him at either a stipulated rate or at a certain stipulated amount less than the market rate at the time. Interest is sometimes charged on these dadans. These loans are secured by simple bonds or merely entered in the hatchita account described below. When a loan is given to an agriculturist without any stipulation for the sale of produce, mortgage of land is usually taken as security.

381. Industry.—The financing of industries is not undertaken to any appreciable extent by the indigenous bankers in the mufassal, but in Calcutta and its suburbs where numbers of middle and large-sized industrial institutions are in existence, the part played by them in the financing of industries is much more important. In this business no distinction is usually made between loans required for capital expenditure and those to meet the working expenses. The indigenous bankers do not as a rule provide any accommodation on mortgage against block and the loans are generally advanced on hundis.

382. Trade and Commerce.—But the financing of the internal trade constitutes undoubtedly the most important function of these bankers. This usually takes the form of advances made against such instruments as hundis or purjas or entries in the account books called hatchitas, khatapetas, and katamitis. These advances are in a sense short commercial loans, the terms of which depend upon the prevalent practice in individual cases. The loans amount to giving personal credit only without conferring any lien upon the commodities. The indigenous

banker of Calcutta finances "imports" from mufassal trade centres by granting loans to merchants, who go into the interior for purchasing the produce. They also lend money to local warehouse men or aratdars and assist the movement of commodities by advancing on bills of lading and railway receipts. In the mufassal the indigenous banker provides accommodation for trade in these ways and also by some other means. In Dacca some banking firms make direct cash advances on personal credit to the tradesmen either for purchasing imported goods for distribution and sale or for gathering local produces for export. One firm in Dacca makes cash purchases in Calcutta on behalf of the cloth merchants of the locality through its own agents who are instructed to despatch the goods and send the railway or steamer receipts directly to the consignees. The agent sends a copy of the invoice containing all items of expense including cost, freight, aratdari or commission, warehouse rent and other incidental charges and the whole amount together with the interest is debited against the borrowing trader in the books of the banking firm. No security is demanded for providing this credit as it is extended to very trustworthy customers, but it is stipulated that the borrower must remit the whole of his daily sale proceeds to the banker to be credited to his running account. This system of accounting is called "katamiti."

383. Other purposes.—The indigenous bankers do not confine their operations only to the financing of agriculture, industry or trade. They also grant loans for other purposes. In these cases security is always demanded and takes the form either of a pledge of jewellery or a mortgage of land. In the case of a mortgage a registered bond is invariably demanded, but in the case of a pledge of jewellery, no bond is ordinarily taken unless the amount involved is very great. Such loans may be employed on non-productive as well as productive purposes, but the indigenous banker does not trouble about the nature of the purpose so long as the security is sufficient. To some approved customers these bankers give loans on promissory notes without any security or on the guarantee of a third party.

384. Credit Instruments and Devices.—Hundi.—The commonest form of credit instrument employed by every indigenous banker is the hundi. It may be described as an internal bill of exchange and is in effect an order signed by the drawer addressed to the drawee to pay to the person named in the hundi (who may be called the lender) a sum of money specified in the hundi either at sight or at a certain period after presentation. There are usually other conditions on account of which a conditional hundi is not recognised as a negotiable instrument within the meaning of the Act. The sight bills are known as darsani hundis and the usance bills are called muddati hundis. These hundis are transferable by endorsement and pass freely among the indigenous bankers themselves. They are however not negotiable in banks in the legal sense of the term specially when conditions are attached but they are often rediscounted when presented by approved customers. The usual condition attached is that the payment should be made only after ascertaining the respectability, title and address of the payee. When there is such a condition the hundi is called a sahjog hundi and a banker who negotiates it is entrusted with the duty of satisfying himself that the presenter is the proper person to whom the payment should be made. When this condition is absent, the hundi is called a dhanijog hundi and is payable to the presenter (dhani or holder of the hundi). In a Jokhami hundi there is usually a condition that if the goods on

the security of which the advance is made are lost or damaged in transit the drawer or the holder of the hundi must suffer the loss, the drawee not being responsible. These hundis however are very rare in Bengal. The period of usance of the muddati hundis is usually one to three months.

385. When an advance is made against a hundi the lender deducts commission or discount called *hundiana* from the amount of advance. The rate of discount varies from 4 to 18 per cent. according to the pressure on the money market. In 1928 the highest rate was 10½ per cent. in Calcutta.

386. A hundi is employed to serve three distinct purposes: The first is for raising a loan, and in this form it corresponds to the finance bills. The second is for the purpose of financing trade, when it corresponds to the bill of exchange, but while such bills are almost always accompanied by documents of title, the hundis are usually without them. Hence it is impossible to distinguish a hundi for accommodation from a hundi for trade. The third use is for remittance of money, from one place to another, whether for purposes of trade or otherwise. In such cases, if the banker has surplus cash which he requires to remit to another place, a premium may be paid instead of a discount deducted.

387. **Purja**—A purja is a written request addressed to the lender and signed by the borrower to pay the amount mentioned in the instrument and is stamped with an anna stamp. The rate of interest is always mentioned in the body of the purja but the period for which the loan is granted is never mentioned in it but is either understood to be the period settled by prevailing practice, or entered in a separate slip pinned to the purja. The purja is not attested by witnesses and operates in practice not as a bond but as a mere acknowledgment of debt. The interest due at the stipulated rate for the implied or explicit period is always collected when the loan is granted. The name of the person through whom the sum is received is always mentioned in the body of the purja. It is used only for temporary loans for periods seldom exceeding three months. It is not a bill of exchange and is not negotiable. Sometime the purja is given in another form, viz., an acknowledgment by the borrower declaring that he has credited the amount borrowed in his own account books in favour of the creditor.

388. **Hatchita, Khatapeta and Katamiti**.—A hatchita is a sheet bound in the account book of the creditor and entered in the form of a ledger bearing an anna stamp and the signature of the borrower. A khatapeta is a similar account without any stamp or signature. All advances made and interests accrued are entered on the debit side of the ledger and all repayments and payments of interest on the credit side. No separate bond is taken for the advances nor is any receipt given for the repayments or payments of interest, the entries in these accounts being considered as sufficient proof of the transactions. The debtor himself is responsible for seeing that all payments are duly credited. In khatapeta accounts payments of all advances are made on the written request of the borrower and these documents are filed by the creditor and returned to the borrower when the loans are repaid. The term khatapeta is usually employed by the Marwari bankers. The Bengalee bankers of Dacca and elsewhere use an account called katamiti, in the same form, but interest is charged on the daily debit balances.

389. **Interest.**—There is no uniformity in the rate of interest charged by the indigenous bankers on advances made by them. Generally speaking the rates on secured loans vary from $7\frac{1}{2}$ to 15 per cent. per annum and those on unsecured from 18 to $37\frac{1}{2}$ per cent. The rates vary not only in different times and places but also according to the solvency and reliability of the borrower. On moneys advanced on khatapeta account the rate of interest varies from $6\frac{1}{2}$ to 9 per cent. per annum. The rate on promissory notes or purjas is generally from 2 to 9 per cent. according to the conditions of the money market.

390. **Establishment.**—These bankers manage their business very economically and, as already stated, they often combine trade with banking and maintain a common staff for the two branches of the business. The whole of the business is carried on in the vernacular and the establishment, though consisting of trained and reliable men, is very meagre and low paid. In Calcutta however some distinguished banking firms have stated that 25 per cent. of the profits of a normal year may roughly be regarded as the outlay on establishment. The value of the daily transactions of a banking firm at Dacca amounts to a lakh of rupees for which the firm maintains a staff of only 25 to 30 persons. The average pay of a member of the staff is estimated to be Rs. 30 per month. In the mufassal the business is usually conducted in a small room or varandah of the house of the banker, except in the case of big firms where larger accommodation is provided. There are hardly any separately rented or constructed business premises.

391. **Profits.**—The economy in expense does not however enable the banker to make large profits from the banking business and an allowance has to be made for bad debts, which often reach a considerable sum when trade is dull. The bankers are sometimes dragged into litigation for the realisation of their dues and have to put up with compromises causing them a loss. The margin of profit derived from deposits is also considerably less than it used to be on account of the dwindling of the deposits. The net profits earned by these bankers vary in different places from 5 to 20 per cent. per annum. Profits above 20 per cent. are exceptional.

392. **Clientele.**—With rare exceptions, the indigenous bankers have earned a reputation for integrity in their dealings with their clientele. In most places they are looked upon by their customers as friends in need and their dealings are not viewed with suspicion. They keep in close touch with the borrowers and are often intimately acquainted with them, their material conditions and the nature of their business. They are approachable without any formality at any hour of the day and even at night, and are not bound by any hard and fast rules regarding the terms of their transactions. A firm in Chittagong informed us that the bulk of their hundi business is done after 3 p.m. when the branches of the Imperial Bank and the National Bank of India are closed. It is on account of the mutual confidence between the banker and his clients that the business is carried on so informally. There is no publicity of account and no receipts are given for deposits or repayments yet the client is satisfied. On the other hand, the banker generally feels no hesitation in granting loans on hundis unsecured by any commercial documents or otherwise or on purjas and khatapeta accounts. We are satisfied that the relation between these bankers and their customers is cordial.

393. **Relation with Joint Stock Banks, Imperial Bank, etc.**—In the city of Calcutta, indigenous banking firms of repute can avail themselves of the rediscounting facilities offered by the Imperial Bank. Some indigenous bankers have business relations with the Exchange Banks. A few of the Joint Stock Banks in Calcutta also undertake rediscounting of hundis. The discount rate charged by the Imperial Bank is generally the same as the bank rate. It goes up by 1 per cent. in times of tight money market and down by $\frac{1}{2}$ to $1\frac{1}{2}$ per cent. when the market is easy. The total value of the hundis discounted by the Imperial Bank in Calcutta during the year ending 31st March 1929 was approximately Rs. 14,10,00,000 and the amount for the whole of Bengal was about Rs. 15,20,00,000. But in the mufassal it has been stated that the branches of the Imperial Bank evince a lack of sympathy in their attitude towards the indigenous bankers. Evidence has been received from two firms in Dacca that the local branch of the Imperial Bank refuses to rediscount hundis bearing the endorsements of even the firms of highest repute in Dacca town. A complaint has also been made that the Imperial Bank does not afford any special facility or consideration even to the old, reliable and substantial Indian banking firms. In one case a cheque for a large amount was dishonoured because it exceeded the amount lying to the credit of the firm by a paltry sum, although the cheque was drawn by a firm which deals with the Bank in lakhs of rupees a year.

394. The indigenous bankers have no dealings whatever with co-operative banks or loan offices.

395. Among these bankers themselves the relation is always cordial. They provide one another with financial accommodation on liberal terms.

396. **Facilities required.**—Various suggestions have been made to us about the facilities that should be extended to this class of bankers. Of these, those that merit serious consideration are discussed below:—

(1) Complaints have been made that the interests of indigenous bankers are often prejudiced by the award of low interest and allowing repayments by small instalments made by the civil courts in suits instituted for the recovery of loans, and it was suggested that some statutory provisions should be made to prohibit such awards and methods of repayment. We cannot agree to this proposal. The low rate of interest is awarded presumably by the operations of the Usurious Loans Act and in this respect we do not think that the discretion of the court should be fettered in any way. Payment by instalments is also ordered only when the court is satisfied that this is the only way by which the debt can be discharged without ruining the debtor. We think it would be wrong to interfere with the discretion of courts in such cases.

(2) It has been proposed that the privileges of the Bankers' Books Evidence Act, 1891, should be extended to indigenous bankers. We are not prepared to endorse this proposal unless the indigenous bankers satisfy the authorities that their books are properly maintained.

(3) It has been suggested that the provisions of section 59 of the Transfer of Property Act regarding equitable mortgages should be extended to important trading centres such as Dacca and Narayanganj. At present such mortgages are not allowed in any place in Bengal

except in the presidency town. In the previous chapter, we have supported this proposal provided the interest of second and subsequent mortgagees are safeguarded by the registration of the equitable mortgages.

(4) A loan advanced on the security of immovable property held by proprietors who are governed by the Mitakshara law of inheritance can be challenged by any minor proprietor after attaining his majority. This fact makes an advance on such security a very risky transaction. Complaints have been made to us about the operation of this law. We fully recognise the difficulty, but as the problem affects other provinces much more than Bengal, we think this should be considered in the Central Committee.

(5) Some firms have suggested that the following facilities should be granted:—

- (a) The Imperial Bank should allow cash credits to indigenous bankers on joint promissory notes,
- (b) the Imperial Bank should agree to discount or re-discount trade bills of all indigenous bankers,
- (c) the stamp duties on hundis should be reduced,
- (d) when the bank rate rises to 5 per cent. emergency currency should be issued to relieve the monetary situation.

We approve of the proposals (a) and (b), but are unable to make any recommendation. It rests with the Imperial Bank to extend its facilities for the benefit of the indigenous bankers under such conditions as appear to it to be necessary. The change proposed in (c) is desirable for the greater popularisation of the use of hundis and our recommendations are made in Chapter XV. As regards item (d) the issue of emergency currency is permitted only when the bank rate reaches 6 per cent. We cannot recommend that emergency currency should be issued when the bank rate is below 6 per cent., but we recommend that emergency currency should be issued to the extent of 6 crores when the bank rate rises to 6 per cent. and to 6 crores more when the bank rate rises to 7 per cent.

397. Complaints have been made that the high rate of interest offered by Government on Treasury Bills and Postal Cash Certificates has the effect of diverting funds from the indigenous bankers and it has been suggested that Government should not enter into any competition with them. The rates offered by Government are determined by the state of the money market and depends on the rates tendered.

398. **Licensing.**—We have received suggestions that an Act should be passed compelling all indigenous bankers to register themselves and take out a license for doing their business. We have given our anxious consideration to this suggestion but we do not think that there is any urgent necessity for such a measure, for the amount of deposits taken from the public by such bankers in this province is insignificant and the relations between them and their clients are such that no legal protection of the latter is necessary. But for the purpose of expansion and development of their business and for linking them up with the organised money market it is essential that their bills should be more freely discounted by the Bankers' bank as well as other banks. To win the confidence of these banks as well as of the wider public, we consider it

to be imperatively necessary that they should be licensed and registered. To avoid opposition however the Act may be designed to provide for registration on a voluntary basis at first and as an inducement, provision may be made in the Act for the bestowal of special privileges to licensed indigenous banks such as their recognition as banks by the Bankers' bank in the matter of remittances, discounting of bills, etc., and by the Government for the purpose of the Bankers' Books Evidence Act.

399. Publicity of accounts.—At present, the indigenous bankers observe complete secrecy with regard to their operations and we anticipate a strong opposition to any proposal for compelling publicity of their accounts. It is extremely difficult to convince these bankers that the publicity will increase popularity, induce confidence, and help the expansion of their business, for we believe that on account of their secrecy they are losing a considerable portion of their deposits. They are right to view with suspicion any interference with their business but publicity does not mean any interference and we are sanguine that if the operations of the proposed Act be kept confined to the submission of annual audited balance sheets only and if some compensatory benefits are granted as proposed above, they may submit to it without any serious opposition. It has been represented that these bankers are unable to write up and maintain accounts in an intelligible form and in consequence any measure for compulsory publication of their accounts will cause serious hardship. We consider that this apprehension is groundless for these bankers are thoroughly conversant with the complex business processes for which they maintain full accounts though in a very simple manner. Still, to disarm opposition we would suggest that as in the case of registration, the provision for submission of periodical balance sheets should be applicable only to the voluntarily registered indigenous bankers.

400. Methods to secure stability and inspire confidence.—Some of the methods by which the indigenous bankers may and should inspire a greater degree of confidence in their operations have already been mentioned. They should issue pass-books to their depositors and grant receipts in proper form acknowledging repayments either in full or in part of the loan. The standardisation of some of the credit instruments in common use among the indigenous bankers will be essentially necessary if the discount facilities are to be largely increased. A statutory provision for some sort of periodical audit and inspection of their accounts by approved auditors will also prove helpful towards increasing their credit in the estimation of the wider public.

401. Linking with the general banking system.—We think there should be some measure of co-ordination between such bankers and other credit institutions as recommended in previous paragraphs. We consider that at present there is hardly any relation between them and the central money market, and there is no compelling necessity to make their hundi rates move in consonance with the bank rate, although as a matter of fact their rates often change sympathetically with the bank rate. It has been suggested that measures should be concerted to make the position of the indigenous bankers approximate more and more to that of the London bill brokers. We do not think that such measures are feasible until a bill market is developed in the various trade centres. We think that the Bankers' bank should make a systematic attempt to foster bill business in the country.

CHAPTER XIV.

Other Indigenous Credit Agencies.

MONEY-LENDERS.

402. **Extent.**—Besides the indigenous bankers described in the previous chapter and the loan offices dealt with in the next, the only other indigenous credit agency consists of the vast multitude of money-lenders. They are to be found in every town and in many villages in the province, and compromise all classes of people. Co-operative societies and loan offices have in recent years been making efforts to oust them from the fields of their activity, but our information is that the money-lenders are still flourishing as well as ever in every part of Bengal.

403. **Number.**—In the census report of 1921 the number of actual workers under the heading “bank managers, money-lenders, exchange and insurance agents, money-changers, brokers and their employers” was 50,110 against 32,189 found in 1911. We estimate that among these, about 10 per cent. are bank managers, indigenous bankers, money-changers, insurance agents and brokers and the rest are professional money-lenders. The incidence of the people included under this heading per lakh of the population in the different districts of the province is shown in the following table:—

District.		Number of money- lenders per lakh of popula- tion.	District.		Number of money- lenders per lakh of popula- tion.
Burdwan ..	..	40	Jalpaiguri ..	..	56
Birbhum ..	..	30	Darjeeling ..	..	70
Bankura ..	..	26	Rangpur ..	..	82
Midnapur ..	..	27	Bogra ..	..	12
Hooghly ..	..	104	Pabna ..	..	21
Howrah ..	..	80	Malda ..	..	76
24 Parganas ..	..	60	Dacca ..	..	280
Calcutta ..	..	31	Mymensingh ..	..	175
Nadia ..	..	65	Faridpur ..	..	150
Murshidabad ..	..	45	Bakarganj ..	..	99
Jessore ..	..	63	Tipperra ..	..	134
Khulna ..	..	28	Noakhali ..	..	69
Rajshahi ..	..	68	Chittagong ..	..	14
Dinajpur ..	..	60	Chittagong Hill Tracts ..	..	9

It will be noticed that in the richer districts of Eastern Bengal the number of money-lenders is greater. It is also remarkable that the rates of interest charged by them are also higher.

404. **Classification.**—The professional money-lenders, i.e., the persons whose principal source of income is money-lending, may be

divided into two classes, resident and itinerant. The former go by the generic name of mahajan, literally a great man, i.e., one possessed of more money than his neighbours. The itinerant money-lenders are chiefly Pathans from the North-Western Frontier locally known as Kabulis, Punjabis or Peshawaris. Besides the professional money-lenders there are thousands of persons pursuing other occupations and only lending their surplus money as an investment, who may be called casual money-lenders. These comprise landlords, employers and sardars of labour, shop-keepers, pensioners, widows and professional men.

405. Most of the mahajans are Bengalees, but in recent years a good many Marwaris and residents of other parts of India have taken up the profession with conspicuous success. Some of the mahajans are rich people and have acquired landed properties and rank among the territorial aristocracy, but the majority both in towns and villages are small people owning small capitals, on the income of which they manage to maintain themselves and their families. They are chiefly Hindus, but in the rural areas some Muhammadans can be found who either ignore their religious law against taking interest or evade it by taking interest in kind. Their number, however, is insignificant. The itinerant money-lenders are Muhammadans and have no fixed home in Bengal. Most of them go away to their homes during the summer and return to their activities in the winter.

406 **Borrowers.**—All classes of people are comprised in the clientele of the mahajan. The principal borrowers of the itinerant money-lenders are the employees in mills and mines and labourers. They also lend money to the agriculturists and small traders in the mufassal. The landlord usually comes to the financial assistance of his tenants when in difficulty. A sardar of labourers and employees in mills, mines, factories or tea gardens, a durwan employed in any office or a head servant in any gentleman's establishment almost always makes advances to the people employed in the concern. Small shop-keepers often oblige their customers with cash loans. Many agriculturists who possess a surplus give loans to their needy neighbours.

407. **Purposes of loan.**—Loans are given by the money-lenders for any and every purpose. The agriculturist borrows for the cost of his cultivation, household expenses and payment of rent, the tradesman borrows for the purpose of his business, the landlord borrows to pay the kists of Government revenue or for purchasing landed property, and the professional man or an employee on fixed salary borrows to meet expenses for medical treatment and education of children. All classes of people borrow for social ceremonies, such as marriage or *sradh*. Many debts are incurred for payment of earlier debts and for litigation. An artisan has often to borrow to purchase raw materials.

408. **Methods of business and securities.**—(a) *Mahajans.*—In the rural areas the mahajan advances cash as well as paddy. The loan of paddy is generally taken for the purpose of maintenance during the period between sowing and harvest. Many mahajans, who are also engaged in trade, make advances of cash during this season for the purpose of securing the produce of the cultivator. This system of *dadan* has been described in chapter VII (paragraph 178). These loans are

ordinarily given without any security. Some loans are granted on promissory notes without security, or on the guarantee of a third party. The mahajan also grants loans on the pledge of jewellery or other movable properties, such as brass utensils. The majority of the loans given to owners of house properties or landed estates are secured by mortgages. The usual form of mortgage is the simple mortgage, but mortgages by conditional sale (*kot kobala*) and English mortgages are not unknown. In Calcutta equitable mortgages made by the delivery of the title deeds of immovable property are quite common. Unless the mahajan has cultivation of his own, he does not accept any usufructuary mortgage (*khai khalasi*). Loans are also granted by mahajans on *hat-chitas*, described in the previous chapter.

409. (b) *Itinerant money-lenders*.—The advances made by the itinerant money-lenders used to be very informal and no bonds or written acknowledgments were taken, but in recent years some formality has crept in, and we have come across books of printed promissory notes in English on which the signatures or more often the thumb impressions of the borrowers are taken. A specimen of such a promissory note is given in Appendix A to this chapter (page 201). Another form of loan given by these men, as well as by the sardar class and other petty money-lenders when dealing with borrowers in receipt of weekly wages, is the instalment or kist system, by which a loan of Rs. 8 is repaid in nine weeks by an instalment of one rupee every week. The itinerant money-lender, as well as the Marwari merchant money-lender, gets the borrower to sign a promissory note, stipulating that the loan shall be repaid in any of the several districts mentioned in the note, so that if the borrower defaults the creditor could sue and obtain an uncontested decree in a distant place and then execute it at the place where the debtor resides. A specimen of such a promissory note is given in Appendix B of this chapter. A common business of almost all these itinerant money-lenders is to sell warm clothing on credit at a price which well covers a usurious rate of interest. These debts are usually recovered in the next cold weather.

410. (c) *Casual money-lenders*.—The methods of the casual money-lenders are very similar to those of the professional. When the loans are small and given to a well-known neighbour, no security is ordinarily demanded. Pledge of ornaments and household utensils are often taken. Among professional men, pleaders are known to make advances on mortgage of landed property.

411. Repayments of principal and payment of interest are usually entered by the money-lenders on the back of the bond, and no separate receipt is ever given. When the account is in the form of a *hat-chita*, these items are entered in it. When the loan is completely repaid, the bond is returned to the borrower and the *hat-chita* account is closed. Almost all mahajans insist on the punctual payment of interest, for this forms their principal source of income. They seldom press for the payment of the principal before the expiry of the period of limitation, unless the securities are found to be inadequate.

412. **Proportion of secured and unsecured loans**.—We have tried to ascertain from the witnesses the proportion that subsists between

secured and unsecured loans in different districts, and the evidence obtained is tabulated in the statement below:—

Place.	Percentage of secured loans.	Percentage of unsecured loans.
Faridpur	50	50
Birbhum	90	10
Dinaipur	75	25
Burdwan	80	20
Khulna	50	50
Nadia	20	80
Naihati (24-Parganas) ..	20	80
Pabna	10	90
Kushtia (Nadia)	75	25
Berhampur	50	50
Kalimpong (Darjeeling) ..	25	75
Netrokona (Mymensingh) ..	25	75
Howrah	90	10
Murshidabad	80	20
Hooghly	20	80

These estimates have been made without detailed enquiry, and are based only on the personal knowledge of the witnesses. We could obtain no material from which we could make an accurate estimate. We are inclined to think that, taking the province as a whole, about 80 per cent. of the numbers of loans advanced by the money-lenders is unsecured and 20 per cent. secured, but the proportion that the value of the secured loans bears to that of the unsecured loans would be nine to ten.

413. **Rates of interest.**—The rate of interest charged by the money-lender varies with the security and the amount of the loan. The rate necessarily increases when the security is dubious and is highest when it is wanting. Small loans entail more trouble and expense in collection than large loans, and are therefore subject to higher rates of interest. The rate also depends on the total amount of capital available in the vicinity. If there is no competition, the money-lender can charge what he likes, and the borrower has no option but to accept the rate offered. In the evidences we have received and the intensive enquiries we have made, we have found an extraordinary variety of rates. The

following table will show that the rates are lower in western and central Bengal than in eastern and northern Bengal:—

District.	Money-lenders' usual rates prevalent in the districts.			District.	Money-lenders' usual rates prevalent in the districts.		
	Per cent. per annum.				Per cent. per annum.		
Burdwan	..	24	to 175	Faridpur	..	15	to 150
Birbhum	..	15	to 37½	Chittagong	..	15	to 75
Bankura	..	15	to 25	Noakhali	..	24	to 75
Midnapur	..	12	to 75	Tippera	..	24	to 75
Hooghly	..	12	to 37½	Rajshahi	..	18½	to 75
Nadia	..	37½	to 75	Pabna	..	37½	to 300
Jessore	..	18½	to 75	Dinajpur	..	24	to 75
Khulna	..	25	to 37½	Rangpur	..	37½	to 66½
Murshidabad	..	18	to 120	Malda	..	10½	to 75
24-Parganas	..	15	to 150	Jalpaiguri	..	10	to 50
Dacca	..	12	to 192	Darjeeling	..	30	to 60
Mymensingh	..	24	to 225	Howrah	..	12	to 175
Bakarganj	..	24	to 100				

In towns where there is plenty of available capital, the rates are much lower, specially in the case of secured loans. Loans on mortgages of Calcutta house property or zemindaries are usually given at 8 to 12 per cent. Loans on promissory notes taken from the better class of money-lenders by respectable clients are at the rate of 9 to 18 per cent. Large loans on mortgage of zemindaries have been given on even 5½ per cent. Loans to agriculturists, given on the security of their holdings, generally bear interest from 18½ per-cent. to 37½ per cent., the latter rate being usually the common rate. Loans given without any security often bear much higher rates, going up to 300 per cent. An agriculturist owner of a holding or a householder living in a town can obtain an unsecured loan at 37½ per cent., but a labourer employed in a factory or a mill cannot get accommodation at less than 75 to 300 per cent. In Kharagpur in Midnapur district stall-holders in the bazar repay their loans to money-lenders at the rate of one pice per rupee every evening for a period of 72 days. This is known as *chota sud*. Most of the loans bear compound interest, and the usual rests are after six or twelve months. In some cases, loans are compounded every three months.

414. Causes of usury.—We have received a considerable volume of evidence, showing that usury is widely prevalent in every district in Bengal. This is attributable to various causes:—

(1) The principal reason of the high rate is the low credit of the borrower. The operatives in mills and mines who have no homes or other property at the place where they work cannot offer any security, and are consequently charged very high rates. In the villages the landless labourers are in a similar predicament and can seldom get loans, and then only at very high rates. Many cultivators who are already indebted are in the same position. The rates in such cases are governed by the risk taken by the money-lenders.

(2) Another cause of the high rate is the absence of financing agencies in the locality. There are hundreds of villages where there is no money-lender, and the needy residents have to trudge to the nearest village with a resident money-lender, who, not being personally acquainted with the applicant for the loan, charges a high rate to cover the risk.

(3) Shortness of capital possessed by the money-lender is another cause of usury. On the one hand, there is competition among the applicants for loans in such cases, and he who offers the highest rate is naturally favoured. On the other hand, the money-lender is compelled to eke out his own subsistence from what he can exact from his debtors, and consequently charges the highest rate they can afford to pay.

(4) Even in places where there are other financing agencies, such as co-operative societies and loan offices, they cannot meet all the requirements of the borrowers of the locality, and many have to go to mahajans even after they are financed to some extent by the former, and they are compelled to agree to the mahajans' rates, however excessive they may be. Some, again, are averse to join a co-operative society for fear of publicity and unlimited liability, and the mahajans naturally take the utmost advantage of this reluctance.

(5) Tradition and custom play no small part in perpetuating usury in backward places. The residents of such areas are not aware that loans could be obtained at a lower rate than what they themselves and their ancestors have always paid to the mahajan, and do not consider his rate to be unusual or excessive.

415. Two Examples of Usury.—To what length usury can be extended will be seen from the following examples:—

(a) Mortgage suit No. 154 of 1923 in Third Court of the Subordinate Judge of Midnapur; Upendra Nath Pahari versus Gadadhar Pahari; interest on a loan of Rs. 15 taken in May 1923 and secured by a mortgage of conditional sale at 1 anna per rupee per month (75 per cent. per annum) compound, with quarterly rests, amounted to Rs. 9,450-2-10.

(b) Mortgage suit No. 8 of 1927 in the Second Court of the Munsif of Chandpur; Adhar Chandra Shaha versus Nasaruddin; loan of Rs. 22 taken on mortgage of agricultural land in June 1915, on interest at 120 per cent. per annum with half-yearly rests; total liability Rs. 26,00,070 (?) This suit was decreed on compromise for Rs. 431 only.

416. Interest on loans in kind.—When the interest is levied in kind, the rates are much higher. The ordinary rate of interest on paddy loan is 50 per cent., though in some places 25 per cent., and in others 100 per cent. is charged. As these loans are repayable at the next harvest, the period is often less than a year, and the rate per annum in most cases is much greater. We have been told that the prevailing rate in the Serajganj subdivision is 300 per cent. During the distress of 1334 B.S., thousands of agriculturists in the district of Birbhum had to take paddy loans in the months of June to September. Paddy was then selling at Rs. 4-8 per maund, and they had to execute bonds for the value of paddy borrowed at this rate plus 50 per cent. interest payable at the next harvest in January in kind or in cash. As paddy was selling at the time of repayment at Rs. 3-4 per maund, the cultivators had to part with more than two maunds for the use of each maund for half a year. A witness has stated that “there was a good harvest in 1335, but after satisfying the mahajans, the agriculturists had no surplus left.”

417. Period of loan.—Loans on promissory notes and unsecured loans generally are not made repayable on any fixed date, but when the debtor's wages are paid weekly, the repayments are expected to be made on receipt of the wages. Similarly, borrowers on monthly salaries are expected to repay their loans by monthly instalments on receipt of their salary. In the case of mortgage by conditional sale or English mortgage, the date of repayment is always fixed, and these periods are usually from six years upwards. Simple mortgages are seldom for periods exceeding one year. No period is fixed for equitable mortgages. When movable property is pledged, the period implied is generally one year; and when loans are taken by agriculturists, they are expected to repay after the sale of their next harvest. As stated above, repayment of principal is seldom insisted upon, but when the period of limitation approaches in case of a loan, whether secured or unsecured, pressure is put upon the borrower, and if he is unable to repay, a fresh bond for the total amount outstanding as principal and interest is often executed.

418. Control of money-lenders.—The only law which at present controls the operations of the money-lenders is the Usurious Loans Act and sections 16, 19A and 74 of the Indian Contract Act, which we have dealt with in chapter XII, where we have already made our recommendations for the control of professional money-lenders. Indian public opinion does not condemn the usurious rates of interest charged by money-lenders, and although by reason of usury or harsh treatment an individual money-lender may be disliked in the locality, there is seldom any expression of public opinion against his conduct.

419. Better credit facilities.—The solution of the problem of usury in Bengal lies in the establishment of suitable credit agencies like co-operative societies and in adequately increasing the banking resources of the country. The loan offices, if managed on proper lines, may help a great deal in this respect. The extension of general education is also essentially necessary if the people are to be taught the principles of thrift and self-help and to resist the usurious exactions of money-lenders. Co-operative societies can do a great deal both in educating people and in affording financial accommodation, and we strongly recommend that efforts should be concentrated in extending this movement as widely and quickly as is compatible with sound organisation.

Appendix A.*Dated 22nd March 1924.*

On demand I promise to pay to Haidar Khan and Mahammad Yar Khan or order the sum of Rs. 22 (twenty-two) cash with interest at the rate of a. 1 p. 6 (one anna and six pies) per rupee per month or per cent. per month for value received in cash.

At zillah Calcutta, 24-Parganas, Howrah, Alipur, Sealdah, Barasat, Serampur, Hooghly, Burdwan, Birbhum, Purulia, Giridih, Dhanbad, Manbhum, Hazaribag, Ranaghat, Khulna, Barisal, Nadia, Midnapur, Mokama, Kalimati, Magura, Berhampur, Dacca, Murshidabad, Rangpur, Cuttack, Dhubri, Assam, Singhbhum, Allahabad, Lucknow, Bankipur, Patna, Cawnpur, Ranchi, Asansol.

Appendix B.

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On demand I/we jointly and severally promise to pay to Babu Baijnath Marwari or order either at Asansol, Purulia, Jamalpur, Dhanbad, Jullunder, Bhagalpur, Begusarai, Gaya, Hooghly, Burdwan, Howrah, or at Calcutta the sum of rupees together with interest thereon at the rate of Rs. As. per cent. per month until realization for value received in

CHAPTER XIV-A.

Loan offices.

420. **Banking system depends on environment.**—The banking system of a country is determined by local circumstances, partly economic and partly historical. There may not be any conscious design to suit the environment, but ultimately the circumstances mould the constitution. A classical example is furnished by the Bank of England which tried to maintain a monopoly of joint stock banking by various restrictive measures, but ultimately it became the bankers' bank aiding and developing the business of all joint stock banks as far as possible. The special feature of Bengal loan offices is also a reflex of certain economic and historical facts. What we mean by loan offices has been discussed in Chapter III and need not be repeated here.

421. **Factors giving rise to loan offices—(a) Permanent Settlement.**—The most important factor giving rise to these institutions is the Permanent Settlement of 1793, which made landed property a more valuable form of investment in Bengal than in other parts of India, where land revenue is subject to periodical revision. But land revenue fixed in perpetuity in 1793 was inordinately high and was exacted with the utmost rigour. Some of the zamindars saved themselves from ruin by creating permanent tenures in their estates. This process went on with the subsequent growth of population and the rise of prices. These factors reduced the incidence of the land tax and a large class of intermediaries arose between the zamindars and the actual raiyat. Before the passing of the Bengal Tenancy Act of 1885, the raiyat's right to his holdings was quite undefined and the lending of money to him under such conditions was very risky. It is to finance the zamindars and the superior classes of intermediaries like the patnidars and the dar-patnidars and other permanent tenure-holders that the necessity was felt for a special class of banking institutions making advances on the mortgage of land. This need was met by indigenous bankers in early British days, but with their gradual decline, the only lending agency was the private money-lender, whose rate of interest was very high.

422. **(b) Act VII of 1860.**—This state of things continued till the sixties of the last century when Act VII of 1860 granted the privilege of limited liability to joint stock banks in India. It is interesting to note that the same principle was extended to bank shares in England only in 1858, though the liability for notes issued still remained unlimited as before. This Act made it possible for joint stock banks with limited liability to take up the work hitherto undertaken by private money-lenders.

423. **(c) Example of the Land Mortgage Bank of India, Ltd.**—The intelligentsia of Bengal were not slow to take advantage of the opportunity. While in other provinces joint stock commercial banks were started in the 'sixties and 'seventies, the development in Bengal was along the line of land mortgage banking. There was already one such institution in the province, viz., the Land Mortgage Bank of India,

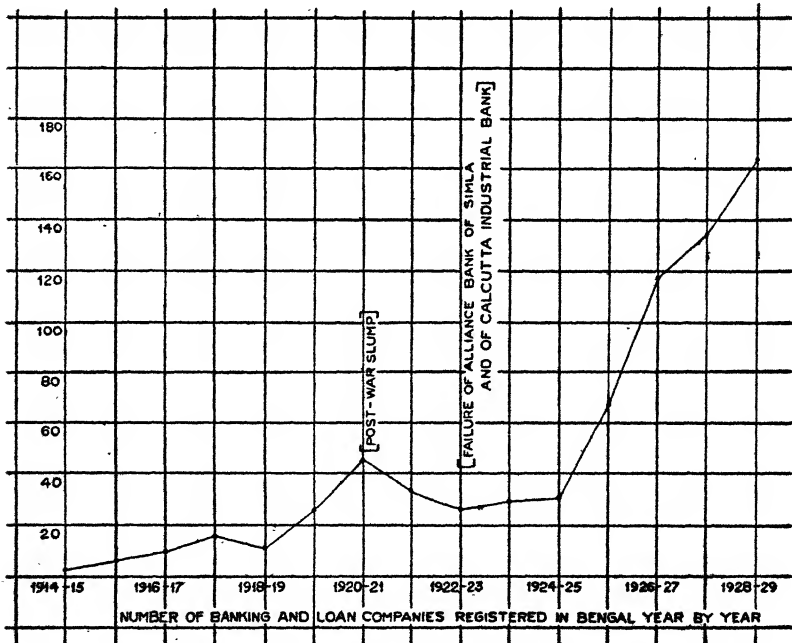
Ltd., incorporated in London in 1863, which through its agency in Calcutta, was doing considerable business. This served as an object lesson for Bengali enterprise in this direction.

424. Earliest loan offices.—The first loan office was the Faridpur Loan Office, Limited, founded in 1865 in the town of Faridpur and registered on 4th March 1871. Started by middle class people with moderate means, its paid-up capital was quite small and unlike the Land Mortgage Bank of India, Ltd., which had floated £1,000,000 of debentures in London within three years of its establishment, the Faridpur Loan Office, Ltd., had to rely mainly on deposits for its working funds. It was not possible for a mufassal loan company to raise its funds by long-term debentures. The next loan office was the Tippera Loan Office, Ltd., registered on 25th March 1871. This was followed by the Mymensingh Loan Office, Ltd., started in the town of Jamalpur in 1873 and by the Barisal Loan Office, Ltd., at Barisal during the same year. Then came the Bogra Loan Office, Ltd., registered on 5th November 1874, though a small loan association appears to have been started at Bogra as early as 1872. In September 1875, another loan office was registered. This was the Nasirabad Loan Office, Ltd., which was started in the town of Mymensingh. Thus within five years, six loan companies had been established, one in Faridpur, two in the district of Mymensingh, one in Tippera, one in Bogra and one in Bakarganj, all of which have been carrying on business up to the present time.

425. Progress till 1900.—During the next twenty years, the rate of progress was far from rapid, but it was during this period that the movement spread to the districts of Jessore, Dacca, Noakhali, Rangpur, Khulna and Jalpaiguri. Of the loan offices registered during this period, seventeen are still carrying on business. One reason for such slowness of growth was that this was a period of falling prices. But two of the "Big Five" of the loan offices were started during the period. These are the Jalpaiguri Banking and Trading Corporation, Ltd., and the Rangpur Loan Office, Ltd., registered in 1887 and 1894, respectively.

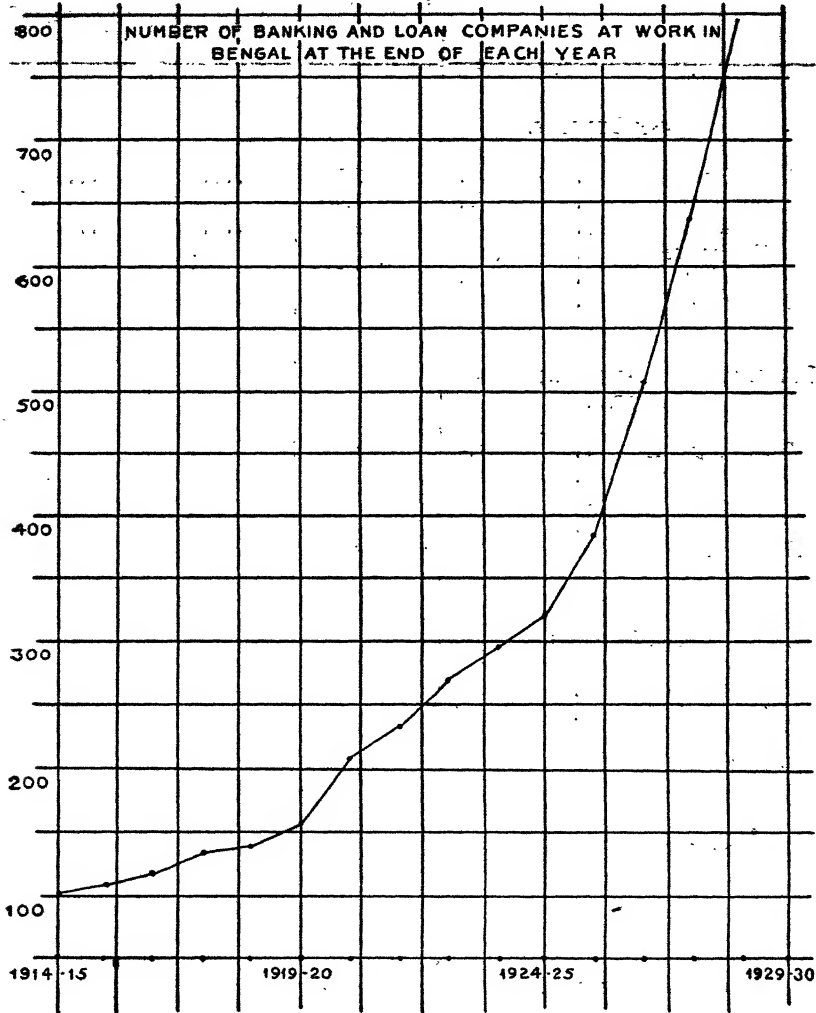
426. Number of loan offices registered.—From 1905-06, the growth of loan offices has maintained on the whole a steadily upward tendency. This was the period of the swadeshi movement, which gave an impetus to the development of banking in the country. The loan offices in the mufassal received also a new impulse. Another favourable influence at work was the rise of prices which led to an inflation of land values and an increase in the demand for advances from loan offices. The widespread bank failures in Northern and Western India in 1913-14 and the outbreak of the War temporarily checked the growth of these institutions. The registrations fell from 21 in 1913-14 to 4 in 1914-15. Throughout the War period, the number of banking institutions registered in the province was quite small. It was only in 1919-20 that the total number of registrations reached 25. It rose to 45 during the next year. But in 1922-23, it fell again to 27. Since then there has been a rapid growth. The largest floatation was in 1928-29 when as many as 164 loan offices were registered. It appears that loan companies formed 51 per cent. of the total registrations of companies in Bengal during the year, while trading and manufacturing companies constituted 31 per cent. and the remainder only 18 per cent. In 1923-24, the corresponding figures were 20, 46 and 34 per cent.

427. **Increase in the number at work.**—Side by side with the increase in registrations, the number of loan offices and banks at work rose rapidly. The total number at work was only 103 in 1914-15. It reached 799 on the 31st of March 1929. Out of these, 17 were companies which either do not conform to our definition of loan offices or companies in process of liquidation, although their names were not finally removed from the register. If these 17 are excluded, the total number of loan offices at work was 782, out of which only 26 were in Calcutta and the rest in the mufassal. The growth of loan offices in Bengal during the last 15 years may be seen from the graphs printed below and on the following page, showing the number of loan offices registered year by year and the number working at the end of each year. The figures have been taken from the Annual Reports of the Registrar of Joint Stock Companies in Bengal and include some commercial joint stock banks, registered in the province. The number of such institutions is so insignificant that the graphs may be taken to represent fairly the growth of loan offices.



428. **A loan office outside Bengal in Cooch Behar State.**—Outside the British territory in Bengal there is an important loan office in the Cooch Behar State, called the Cooch Behar Bank, Ltd., which is guaranteed by the Durbar. The latter undertakes to contribute a sum not exceeding Rs. 3,00,000 for meeting the liabilities of the bank in the event of its being wound up and in consideration of this has been given predominant control in its management. According to its balance sheet for the year ending 31st December 1928, it had a paid-up capital of Rs. 78,580, a reserve fund of Rs. 26,000 and deposits aggregating Rs. 2,00,683. The bank opens current account and discounts bills, but it has made considerable advances against mortgage.

429. **Distribution of loan offices within the province.**—The loan offices in Bengal are by no means uniformly distributed over the whole province. The largest number is to be found in Eastern and Northern Bengal, while in Western Bengal, specially in the Burdwan Division,



the number is very limited. As the different districts vary in size, the mere number of loan offices does not show their density. The table on the next page shows (1) the number of loan offices and (2) the number of loan offices per 1,000 square miles in each district.

430. It appears from the table that the largest number of loan offices is in Mymensingh, which is the biggest district in Bengal, but the number of loan offices per 1,000 square miles is the highest in Bogra, one of the smallest districts. Next comes Mymensingh, while Rangpur is an easy third.

Name of district.	Area of the district in square miles.	Total number of loan offices in the district.	Number of loan offices in the district per 1,000 square miles.
BURDWAN DIVISION.			
1 Burdwan	2,703	....	....
2 Birbhum	1,753	1	6
3 Bankura	2,625	....	....
4 Midnapore	5,055	2	4
5 Hooghly	1,188	1	8
6 Howrah	530	2	3.8
PRESIDENCY DIVISION (EXCLUDING CALCUTTA).			
7 24-Parganas	4,856	2	4
8 Nadia	2,778	6	2.2
9 Murshidabad	2,121	6	2.8
10 Jessore	2,904	16	5.5
11 Khulna	4,730	14	3.2
DACCA DIVISION.			
12 Dacca	2,723	32	11.7
13 Mymensingh	6,238	251	40.2
14 Faridpur	2,371	42	17.7
15 Bakarganj	3,490	17	4.6
CHITTAGONG DIVISION.			
16 Chittagong	2,497	9	3.6
17 Noakhali	1,515	15	9.6
18 Tippera	2,560	47	18.4
RAJSHAHI DIVISION.			
19 Rajshahi	2,620	35	13.0
20 Pabna	1,678	40	23.8
21 Bogra	1,379	73	52.9
22 Rangpur	3,496	105	30.1
23 Dinajpur	3,946	20	5.1
24 Jalpaiguri	2,931	15	5.1
25 Darjeeling	1,164	2	1.7
26 Malda	1,833	3	1.1

431. Causes of unequal distribution.—One reason of the congestion of loan offices in certain districts and their scarcity in others is that round one successful loan office a number of new companies has arisen. This explains the large number of loan offices clustering around the Bogra Loan Office and the Rangpur Loan Office. Even in contiguous districts like Mymensingh and Dacca under more or less similar economic conditions one important factor at work has been the number and efficiency of indigenous bankers and money-lenders. It appears from the evidence before our Committee that outside Calcutta, Chittagong and Dacca are the only towns in Bengal where indigenous banking is still quite strong. According to the census of 1921, the total number of bank managers, money-lenders, etc., was 7,574 in the district of Mymensingh, i.e., 121 per 1,000 square miles, whereas in the district of Dacca, the total number was 88,366, i.e., 324 per 1,000 square miles. The above figures include the number of managers and other employees of loan offices. But most of the present loan offices in Bengal were started after 1920. We are therefore justified in assuming that the census figures refer mainly to indigenous bankers and money-lenders. The greater density of loan offices in the district of Mymensingh as compared with that of Dacca is thus due not only to the more successful working of well-established loan offices in the former but also to the comparative paucity of money-lenders there. This scarcity of money-lenders is, however, in some cases due to the increased competition of loan offices. We have come across one instance in which a private money-lending firm has converted itself into a private limited loan company. There have also been cases where private money-lenders have organised public limited loan companies. But the geographical distribution of loan offices cannot always be explained by the number of indigenous bankers and money-lenders at work in different districts. In the district of Birbhum in Western Bengal, the number of money-lenders and indigenous bankers per 1,000 square miles was 146 in 1921, but there was only one loan office at the time. The truth is that the demand for loans and the number of money-lending institutions in predominantly agricultural districts depend mainly on the productivity of land. In Eastern and Northern Bengal where land is more fertile, there is greater demand for loans and consequently greater room for loan offices than in Western Bengal where land is less productive.

432. Importance of loan offices to be judged from their working funds.—One peculiarity of the loan offices in Bengal is that their paid-up capital is generally very small. Out of 782 loan offices, only 3 have a paid-up capital of Rs. 1,00,000 and 5 paid-up capital exceeding that sum, but the older institutions have attracted reasonable deposits. To form a correct idea of the importance of these institutions in the economic life of Bengal, we should consider their working fund (i.e., paid-up capital *plus* reserve fund *plus* deposits) rather than their paid-up capital only.

433. Classification according to working funds.—Following the classification adopted by the Bengal Bankers' Federation, the loan offices in this province may be divided into the following classes:—

Class I.—Whose working fund exceeds Rs. 25 lakhs.

Class II.—Whose working fund exceeds Rs. 10 lakhs, but does not exceed Rs. 25 lakhs.

Class III.—Whose working fund exceeds Rs. 5 lakhs, but does not exceed Rs. 10 lakhs.

Class IV.—Whose working fund exceeds Re. 1 lakh, but does not exceed Rs. 5 lakhs.

Class V.—Whose working fund exceeds Rs. 50,000, but does not exceed Re. 1 lakh.

Class VI.—Whose working fund exceeds Rs. 25,000, but does not exceed Rs. 50,000.

Class VII.—Whose working fund does not exceed Rs. 25,000.

434. The list of loan offices belonging to these classes for which information was available, is given in Appendix VII. Out of 782 loan offices, as many as 400 were started after 1925-26. These new companies belong mostly to Classes VI and VII. For 77 companies of Class VI and 122 of Class VII, detailed information as to paid-up capital, reserve fund, deposit, etc., was available. For most of the companies established before 1925-26, the Committee had similar information. The details collected which have been given in Appendix VII, have been summarised in the table shown on the following page.

435. **Total working fund of loan offices.**—It may be noted here that most of the figures in the table refer to the year 1928-29, but with regard to a few companies, the latest balance sheet was not available in the office of the Registrar of Joint Stock Companies and earlier balance sheets had to be used. But the figures of practically all the older loan offices have been entered in the table, which thus fairly represents the present financial condition of these institutions. If we assume that the 400 new loan offices were distributed between Class VI and Class VII in the same proportion as the companies for which returns are available, 150 belonged to Class VI and 250 to Class VII. Including these, the total working fund of loan offices in Bengal amounts to something like 9 crores of rupees.

436. **Analysis of the table.**—Certain interesting facts are quite patent from this table. The loan offices in general have not attracted deposits out of all proportion to their paid-up capital and reserve fund. The majority of deposits in all classes of loan offices is short (i.e., repayable at short notice, not exceeding one month) and intermediate (i.e., repayable within two years). There is hardly any distinction in practice between deposits which are repayable without any previous notice after a fixed period and deposits which are repayable only after previous notice for the stipulated period. For, the tendency among the depositors in loan offices nowadays is to submit a notice of withdrawal at the time when intermediate and long-term (i.e., repayable within two years or after two years) deposits are first made. Whatever may be said of the nature of the deposits, the total amount does not appear to be unduly large in proportion to paid-up capital *plus* reserve fund. But the percentage of reserve fund to paid-up capital is very low in the case of loan offices of Classes V, VI and VII, most of which companies are of quite recent origin. The paid-up capital of the last two classes is also very small. In fact, the loan offices in Bengal do not form a homogeneous body. The functions and problems of

Summary table for Loan Offices.

Class.	Number of loan offices.	Paid-up Capital.	Reserve Fund.	Paid-up Capital plus Reserve Fund.	Aggregate Deposit.	Working Fund = Paid-up Capital + Reserve Fund + Deposit (col. 3 + col. 6).	Investment in Government Securities.	Cash in hand and with bankers.	Percentage of Reserve Fund to Paid-up Capital (col. 4 ÷ col. 3 × 100).	Ratio of Deposits to Paid-up Capital plus Reserve fund (col. 3 + col. 5).	Average Paid-up Capital (col. 3).	Average working Capital (col. 7 ÷ col. 2).
I	2	3	4	5	6	7	8	9	10	11	12	13
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.
I ..	5	3,41,920	14,48,682	17,90,602	1,87,40,010	2,06,31,112	9,37,156	37,30,018	424	10.5	68,864	41,06,222
II ..	10	9,40,849	6,98,780	16,39,629	1,28,37,886	1,44,77,515	5,25,453	10,64,069	74	7.8	94,085	14,47,752
III ..	20	16,20,799	14,20,689	30,47,438	1,40,35,020	1,70,83,058	2,97,974	24,84,845	87	4.6	62,569	6,57,041
IV ..	83	25,56,211	11,35,875	36,92,086	1,47,20,946	1,84,13,032	2,23,385	22,98,681	44	4.0	30,798	2,21,844
V ..	58	10,29,535	2,57,584	12,87,069	28,68,216	41,56,286	20,448	6,72,883	25	2.2	17,751	71,642
VI ..	77	8,12,102	1,13,971	9,26,073	19,78,210	29,04,292	3,279	3,79,553	14	2.1	10,547	87,718
VII ..	122	7,64,254	39,092	8,03,346	8,80,135	16,83,481	975	2,57,230	5	1.1	6,264	13,799
Total ..	381	80,71,070	51,14,573	1,31,86,143	6,60,61,632	7,92,47,775	19,48,670	1,17,86,829	63	5.0	21,185	2,07,799

loan offices in Calcutta are different in many ways from those in the mufassal. This has already been mentioned in Chapter III. Even with regard to the mufassal loan offices, the problems and functions of institutions belonging to classes I, II and III, which are generally older, are not the same as those of the other classes, which are comparatively new.

437. Description of three chief loan offices.—Among the older institutions, the Jalpaiguri Banking and Trading Corporation, Ltd., does not ordinarily advance money against zamindaries, or against holdings of raiyats. Its main business is to make advances on the mortgage of tea gardens and on the hypothecation of the annual tea crop. It has a current account on which it pays interest at 3 per cent.; also, six months' one year's and two years' deposits, on which the rates of interest are $4\frac{1}{2}$ per cent., $6\frac{1}{2}$ per cent. and 7 per cent., respectively. It has a trading department in which stores required in tea-estates are mainly the articles dealt with. The Rangpur Loan Office, Ltd., on the other hand advances money principally to zamindars and to the occupancy tenants of its own zamindary valued at Rs. 3,70,179, according to its latest balance sheet. The rate of interest charged by it on secured loans varies from 9 per cent. to 12 per cent. per annum. It has no current account. The maximum period for which it attracts deposits is one year and the rate of interest on such deposits is 6 per cent. per annum. It has succeeded in attracting deposits to the extent of Rs. 24½ lakhs, against its paid-up capital and reserve fund of Rs. 3½ lakhs. Another old loan office standing at the top of Class II, is the Bogra Loan Office, Ltd. It has attracted deposits for Rs. 21,39,422 against its paid-up capital *plus* reserve fund of Rs. 99,176. It advances money not only to zamindars and tenure-holders but also to actual cultivators. The amount of its advances to traders is quite small. It has recently opened current accounts carrying an interest of 2 per cent. per annum. The longest period for which deposits are attracted is five years, on which it pays $7\frac{1}{2}$ per cent. Besides this, it has recently started endowment schemes under which any person on a monthly payment of Rs. 10 will receive Rs. 1,800 at the end of ten years and Rs. 2,500 at the end of fifteen years. It purchases and sells Government securities on behalf of its customers and deals in bullion. But its business in these lines is very limited. These three are the most successful among the mufassal loan offices.

438. Nature of business of old loan offices.—The remaining loan offices of several years' standing do not need any detailed description. In the case of the majority of such institutions, the main business is to lend money not only to zamindars but to actual cultivators also. They rarely finance trade or industry. Only a few finance some tea gardens for their block expenditure as well as their current expenses. No loan office has as yet issued debentures. In addition to their share capital, funds are raised by deposits only, both for short and long periods. The general rates of interest vary from 4 per cent. for short deposits to 8 per cent. for seven years' deposits. It has been reported that ten years is the longest period for which deposits are taken. But such deposits are very rare. Usually the highest period is five years. The loans are given not only against mortgage and pledge of ornaments but also against personal security. The instruments against which such advances are made in a loan office in Mymensingh are printed in

Appendix XI. The following regulations are prescribed for the issue of loans in one of the oldest loan offices:—

Against the security of—				Up to an amount not exceeding the following percentage of the value of the security.
(1) Immovable property (valued at not more than 15 times its annual income)	..	..	..	50
(2) Gold, Silver, and Jewellery	..	..	..	25 to 33½
(3) Deposits with the Company	..	..	..	85
(4) Government Promissory Note	..	..	..	80
(5) Shares of the loan company	..	..	..	90

439. The rates of interest charged generally vary from 12 to 18 per cent. in the case of secured loans. On unsecured loans the rate is naturally higher. The rate of interest depends also on the amount of the loans; the lower the amount, the higher the rate. On the whole, they follow a cautious policy about investments. It is true that the investments are not liquid, but bad investments have been few, and a failure among mufassal loan offices till the end of the War was surprisingly small. While it must be admitted that practising lawyers, who generally manage such institutions, are not expected to have any special knowledge of banking, they possess detailed knowledge about the financial position of the local borrowers. This has been the secret of the success of well-established loan offices, many of which pay very high rates of dividend on their shares as will appear from the table in Appendix VII.

440. **Undesirable features of new loan companies.**—But the newer loan offices started after the War do not generally follow the cautious policy of the older ones, of advancing chiefly secured loans. Owing to the increased competition among these institutions, the greater proportion of loans is now against personal security. There have been cases in which the same person has borrowed from as many as three neighbouring loan offices and that merely against personal security. There is also actual touting for deposits on which very high interests are being offered, as will appear from the following table:—

Interest per cent. per annum allowed on deposits.

Name of loan office.	District.	Year of incorporation.	Short.	Three months.	Six months.	One year.	Two years.	Three years.	Four years.	Five years.	Others.
Gossalbari Mahajan Bank, Ltd.	Bogra	1926	3	4½	6	9	10½	11½	..	12	3 to 15
Naradi Banking and Trading Co., Ltd.	Mymensingh.	1926	1½ to 1½	..	..	..	9½	..	12	..	..
Gopalpur Bank, Ltd.	Do.	1927	4½	..	..	7½	9	..	9½ to 10½	10½ to 12	12 to 13½
Pallimangal Bank, Ltd.	Tippera	1926	..	..	..	9	10 to 12	15 to 16	..	15 to 16	7½
Brahmanbaria Bank, Ltd.	Kamala Do.	1926	2½ to 3	..	..	6½	7½	9	..	..	10½ to 12
Kundabari Bank, Ltd.	Reserve Mymensingh.	1925	..	..	..	..	9	9½	..	12	12 to 24

441. We have been informed that some new loan offices in the districts of Tippera and Mymensingh have been accepting deposits this year at 15 per cent. per annum. A few months ago the authorities of a newly started loan office in the district of Mymensingh were anxious to have a deposit of Rs. 10,000 at 24 per cent. per annum. When such high rates of interest are being paid on deposits, it is no wonder that money is being lent by them at still higher rates among the more involved cultivators, who cannot obtain loans from older institutions on more favourable terms. The usual rates for loans of some of the newer loan offices are quoted below :—

Interest per cent. per annum charged on loans.

Name of loan office.	Against mortgage.	On simple bond.
Gossaihari Mahajan Bank, Ltd.	24 to 28½	28½ to 37½
Narundi Banking and Trading Co., Ltd.	39½ to 56½	32½ to 87
Gopalpur Bank, Ltd.	18½ to 37½	18½ to 37½
Pallimangal Bank, Ltd.	12 to 15	15 to 30
Brahmanbaria Kamala Bank, Ltd.	15 to 48	12 to 48.
Kundabari Reserve Bank, Ltd.	33	21 to 112

442. **Future danger.**—There is a wide misgiving that these loan offices will be the first to suffer in times of agricultural distress, when the majority of their borrowers will be unable to pay the interest, not to speak of the principal. Some of the loan offices in the Brahmanbaria subdivision are already experiencing this difficulty after the floods of last year. Moreover, most of the loan offices of Classes VI and VII have no reserve fund worth the name. The average reserve fund for 77 loan offices of Class VI is 14 per cent. and for 122 loan offices of Class VII it is 5 per cent. of their paid-up capital. The average working fund of loan offices of Class VII is Rs. 13,799 only. The failure of an investment of a few thousands of rupees may compel such a company to close its doors.

443. **Rapid growth of too many small banks needs regulation.**—Such failure will affect the credit not only of the new companies, but also of the old ones. Its immediate effect will be loss to depositors and a set-back in the development of all class of credit organisation in the province. Too many small loan offices and their rapid growth therefore need regulation. Even a champion of laissez-faire policy like Adam Smith advocated, the regulation of small banks on the ground that the liberty of the few, in their case, endangered the liberty of the many. Though the small loan banks in Bengal started recently, have no power of issuing notes like the English banks, Adam Smith's argument for State regulation is quite applicable to the former.

444. Recent failures of loan offices.—It is true that there has not yet been any widespread failure among loan offices. But at least 17 mutassal loan offices, 7 of which were started after the War, went into liquidation during the period 1914-28. The list printed is not a big one, but it shows that the danger is ahead.

No.	Date of registration.	Name of company.	District.	Date of liquidation.
1	29-8-1911	Moslem Sahajya Samity, Ltd.	Chittagong	6-5-1914.
2	16-9-1912	Daulatpur Paraspar Sahajya Bhandar, Ltd.	Noakhali	25-2-1915.
3	14-8-1914	Friends' Provident and Banking Co., Ltd.	Bakarganj	15-4-1918.
4	25-6-1913	Medini Bandhab Provident and Banking Co., Ltd.	Midnapore	17-12-1918.
5	7-10-1912	Hindusthan Provident and Banking Co., Ltd.	Chittagong	14-3-1919.
6	21-3-1918	Kuliadahir Loan Co., Ltd. ..	Khulna	16-8-1920.
7	8-7-1922	Faridabad Loan and Agricultural Corporation, Ltd.	Dacca ..	22-10-1922.
8	11-8-1920	Bhanga Commercial Bank, Ltd.	Faridpur	24-3-1923.
9	31-3-1922	Federation Bank., Ltd. ..	Rajshahi	7-8-1923.
10	26-5-1920	Dursuna Banking and Trading Co., Ltd.	Nadia ..	28-3-1924.
11	16-1-1917	Gumustapur Krishi Bank, Ltd.	Malda ..	20-4-1924.
12	9-6-1922	Bagerhat Commercial Bank, Ltd.	Khulna	21-7-1925.
13	23-5-1913	Kushthia Union Bank, Ltd.	Nadia ..	23-8-1925.
14	22-10-1918	Bakarganj Loan Co., Ltd. ..	Bakarganj	30-7-1926.
15	22-1-1920	Mutual Loan Fund ..	Chittagong	8-3-1928.
16	12-11-1917	Damukdia Bharamara Bank, Ltd.	Nadia	19-12-1928.
17	28-6-1922	Bengal Loan and Trading Corporation, Ltd.	Khulna	19-12-1928.

445 Amalgamation the true remedy.—What is the remedy? The obvious remedy so far as the existing institutions are concerned, is that they should amalgamate, so that instead of numerous small institutions in the same area with ridiculously small capital and unhealthy competition among them, there would be a few bigger institutions with larger resources and more economical management. But unless they do so voluntarily (of which there seems to be very little hope) it is difficult to suggest any practical means of compelling them to do so.

446. Minimum paid-up capital and subscribed capital for new companies.—To guard against the floatation of very small loan companies, we recommend a minimum subscribed capital of Rs. 50,000 and a minimum paid-up capital of Rs. 25,000 for small banks and loan offices to be started in future. With regard to existing loan companies having a lower paid-up capital, we recommend legislation on the lines of section 4 of Indian Life Assurance Companies Act (VI of 1912), requiring a deposit in securities with Government so as to make their existing paid-up capital *plus* Government deposit equal to Rs. 25,000. One effect of this will be that small loan offices in the same area which can neither raise their share capital nor furnish Government deposit, will have to amalgamate. But those who wish to carry on their business with their scanty share capital will make a deposit of securities with the Government, to safeguard the interests of their depositors.

447. Disproportionate authorised capital.—Another defect noticeable in the floatation of several new loan offices, from which most of older loan companies are free, is that the authorised capital is too large in proportion to the subscribed capital.

No.	Date of registration.	Name of company.	Authorised.	Subscribed.	Paid up capital.
			Rs.	Rs.	Rs.
1	8-3-1926	Pallimangal Bank, Ltd.	2,50,000	25,000	10,000
2	11-3-1926	Shyamganj Bank, Ltd.	1,00,000	7,210	3,605
3	14-5-1926	Jalpaiguri National Bank, Ltd.	1,00,000	7,210	3,605
4	28-9-1926	Jamalpur Bank, Ltd. . .	1,00,000	10,000	5,000
5	15-12-1926	Tripura Popular Bank, Ltd.	1,00,000	6,010	5,940
6	4-2-1927	Comilla Model Bank, Ltd.	1,00,000	13,300	4,160
7	11-3-1927	Kalikatcha Chakshar Moslem Bank, Ltd.	20,000	1,630	1,630
8	14-3-1927	Tulshighat Bank, Ltd.	1,00,000	12,810	2,690
9	21-5-1927	Rangpur Commercial Bank, Ltd.	1,00,000	20,500	2,005
10	4-7-1927	Dayamayee Industry and Bank, Ltd.	1,00,000	8,950	2,925
11	23-1-1928	Brahmanbaria Bankers Union, Ltd.	7,00,000	21,000	8,537
12	23-3-1928	Kundabari Reserve, Bank, Ltd.	50,000	1,590	1,590

448. It is difficult for ordinary depositors of these institutions in the mufassal to realise the distinction between authorised, subscribed and paid-up capital. A huge authorised capital may attract unwary depositors. To guard against this, no bank or loan company should be registered in future with authorised capital exceeding four times its subscribed capital.

449. **Advance against Banks' own share.**—It is the general practice among loan offices to advance money against their own shares. One loan office whose regulations have been quoted, considers its own shares as better security than Government paper. But modern banking practice is that no bank should advance money against its own shares. Such advance really means reduction of the banks' share capital. Moreover when a bank is in difficulty, the value of its shares would fall and therefore the value of the assets in the forms of shares would be reduced. To safeguard the interest of the depositors, we recommend that no loan office should be allowed in future to make advances of money against its own shares.

450. **Representation of depositors on the Board of Directors not desirable.**—Some witnesses have advocated representation on the Board of Directors of the depositors in loan offices to safeguard their interest. This is contrary to all banking practice. It is true that in the Barisal Loan Office, 3 out of 9 directors represent depositors. The alleged defalcation of funds by one of its officers against whom a suit is pending in the courts shook the confidence of the depositors who were accordingly given representation. It is thus an exceptional case. Our chief objection is that the unity of management will be lost, if the conflicting interests of shareholders and depositors are represented on the Directorate. We cannot therefore accept this suggestion.

451. **Should there be a minimum ratio between deposit and paid-up capital plus reserve?**—Another suggestion made by many witnesses is that there should be a minimum ratio between paid-up capital *plus* reserve fund and the total deposits. It appears from the figures of the existing loan companies that the average ratio is 1 : 10·5 in the case of Class I and in Class VII, it is 1 : 1·1. Legislative interference on this point is therefore unnecessary.

452. **Allocation of profits.**—Complaints have been made by many witnesses that profits are divided up to the hilt, and a very small percentage is kept as a reserve. Some have suggested that a limit should be placed on the rate of dividend till the reserve fund equals the paid-up capital. There is no question that an adequate reserve fund is desirable in the interest of depositors and shareholders alike. We think that there should be a statutory provision for placing at least 25 per cent. of the profits to the reserve fund till it equals the paid-up share capital.

453. **Postal facilities for investment of reserve fund.**—Many witnesses seem to have an idea that a larger reserve necessarily affords greater security to the depositors. But this is by no means the case. The entire reserve fund of the Alliance Bank of Simla, Ltd., which exceeded its share capital, was lost by a single bad investment. The more material safeguard therefore is the manner in which the reserve fund is held. Many witnesses holding responsible positions in loan offices have recommended that the reserve fund must be invested in

trustee securities. But some witnesses have rightly pointed out the difficulty of purchasing and selling such securities in the mufassal. They recommend that for investing their reserve funds loan offices in the mufassal should be allowed to open Post Office Savings Bank Accounts under rule 42 for Savings Bank Public Accounts and should have the same facilities with regard to withdrawals as the Co-operative Societies, i.e., they may withdraw sums up to Rs. 3,000 from their accounts on three days' notice at all post offices situated at district headquarters, where there is also a telegraph office and sums up to Rs. 3,000 on ten days' notice from all other post offices. We recommend this proposal. One witness has suggested that the present limit of postal cash certificates in the case of loan offices outside Calcutta, should be raised to Rs. 50,000 and that interest on such certificates should be allowed even within a year of the purchase, at least at the rate of interest for Savings Bank deposit. This will require greater provision of funds for their redemption with the result that they will have to be issued at a higher price. Our recommendation is that the maximum holding of postal cash certificates in the case of mufassal loan offices should be raised to Rs. 20,000, but no change be made with regard to accrual of interest on such certificates.

454. Investment of reserve fund in Government securities.—If these two recommendations for affording better facilities through postal Savings Banks and cash certificates are given effect to by the Government, small loan offices in the mufassal will find easily realisable securities whose values do not depreciate, for the investment of their reserve funds. But the present difficulties of big loan offices for the investment of their reserve funds in Government securities in the absence of any local market will continue as before. It has been represented to our Committee that this difficulty is enhanced, as loans are not obtainable against such securities from the branches of the Imperial Bank of India, when necessary. A reference was made on this point to the Secretary and Treasurer of the Imperial Bank in Calcutta and his reply is quoted below:—

“As long as the borrowing powers of the loan offices and joint stock banks are clearly defined in the Memorandum and Articles of Association and the local Managers have power to pledge the securities and the Government Securities tendered as security are in order, there should be no difficulty in obtaining advances from the Imperial Bank of India and the Bank welcomes such business.”

455. The allegation that the Imperial Bank of India in its branches advances only a small percentage of the market value of Government securities does not appear to be correct. We have been informed by the Secretary and Treasurer that “the bank usually advances up to 95 per cent. of the market value of such securities should prices however be fluctuating, this margin of 5 per cent. may be increased, but it never exceeds 10 per cent. of the market value.” It is true that the Imperial Bank of India have only a few branches in Bengal, but loan offices may keep their investments in Government securities with the Calcutta office of the Imperial Bank of India for safe custody or for hypothecation, the necessary arrangements for advances being fixed up beforehand. When the suggested and existing facilities are fully availed of, the position will be considerably improved. Even now, the

older and the bigger banks have invested a fair proportion of the funds in Government securities, as will appear from the table below.

			Percentage ratio of reserve fund to paid-up capital.	Percentage ratio of investment in Govern- ment securities to paid-up capital.
Class I	..	..	424	274
Class II	..	..	74	56
Class III	..	..	87	15
Class IV	..	..	44	9

456. It is true that the remaining groups have smaller percentage ratio, but their deposits are also small. In view of this, no special recommendation seems to be called for.

457. **Loan offices to confine themselves to banking business.**—It has been suggested by some witnesses that no loan office should be allowed to carry on any business other than banking. Not only can losses in the subsidiary business swamp the banking profit, but there are other equally fatal objections. But although the suggested separation is theoretically sound, it is not at present practically feasible to enforce. Apart from the difficulty of satisfactorily defining the term "banking business" all types of business cannot be treated alike. For instance, a distinction must be made between the management of landed property and that of a shop or a motor service. In the former case, loan offices which advance money on the security of such property may have to purchase it themselves in satisfaction of their debt. For although it may yield a fair return on the capital, a forced sale would cause loss of funds to the banks. The purchase of landed property as an investment and not in satisfaction of the bank's debt is rare. Our information is that the majority of loan offices consider the management of landed property troublesome and try to dispose of such property at the earliest opportunity. The zamindari business of loan offices does not at the present stage call for special restriction. With regard to other subsidiary businesses also, restriction cannot obviously be applied against banks already in existence. But they should be required to draw separate balance sheets and profit and loss accounts for banking and subsidiary businesses. With regard to new companies, the Memorandum of Association should be closely scrutinised and registration refused for preventing the evil. On the other hand, all such institutions, whether new or old, whether calling themselves banks or loan companies, should be regarded as banks, entitling them to all the privileges and restrictions of banks.

458. **Is commercial banking possible in the mufassal?**—Some witnesses have gone so far as to suggest that loan offices should not only be restricted to banking, but that they should be required to do commercial banking alone. Briefly their argument is this. The bulk of the deposits of most loan offices is either short or intermediate. Even in the case of long-term deposits there is a pernicious custom, almost amounting to a right, of demanding loans against such deposits. Thus the liabilities are mostly short. But the loans granted are generally for long terms. It has therefore been suggested that the loan offices should be required either to secure real long-term funds on an adequate scale or to advance not more than a small proportion, say 20 per cent. of their total deposits against land mortgages, or on personal security with such mortgages as collateral security. While there is no question that the financial position would be very much improved with more abundant

long-term deposits, it is difficult to prescribe a particular line of business for all. Even if it is conceded that commercial banking will at present be of greater benefit to mufassal finance than land mortgage banking, the necessary conditions for the successful working of commercial banks are wanting. It is an admitted fact that with their present personnel, both depositors and shareholders consider commercial banking more risky than land mortgage banking which is now carried on with the assistance of directors, who are fully posted about the value of the properties of the borrowers as their lawyers. Apart from this, commercial banking is impossible in the absence of warehouses, insurances and commercial instruments and practices generally on the part of mufassal traders. Where conditions are more favourable, the loan offices are gradually giving up mortgage banking on their own initiative, and training up their staff in approved commercial banking methods, as is evident in the case of some institutions in Calcutta. The pace of this transformation cannot be forced by any State regulation. This can be done only by bringing the present informal business methods into line with modern practices.

459. **Prescribed cash percentage.**—A suggestion hinging on the advocacy of commercial banking is a prescribed minimum percentage of the cash in hand and with bankers to the total liabilities. Paradoxically enough, such regulation defeats its own purpose. The effect has been described by a competent authority in the following words:—"The only control is the control of law, which means on the one hand that the banker is inclined to do the minimum that is required of him, and on the other hand that the public is apt to regard all banks that conform to legal requirements as sound banks." It may be recalled in this connection that some years ago the bank which showed the highest proportion of cash to liabilities was Farrow's Bank, which failed badly just afterwards. The obvious fact should not be overlooked that cash is not the only provision that has to be made against demands of depositors. The adequacy of cash is meaningless without adequacy of easily realisable investments such as Government securities.

460. **State audit.**—The same considerations hold good for State audit as well. A false sense of security will be engendered in the minds of depositors. The fact that an institution has complied with Government regulations will be widely advertised specially by doubtful concerns. The failure of such institutions when they are represented to be strictly controlled by Government will create a far greater lack of confidence among the general public than such failures do at present. There will be a check to the growth of banking habit by this supposed failure of Government to control such concerns. It may be argued that State audit and inspection may be an effective check against maladministration of funds on the part of a bank. But it should not be forgotten that bank failures could not be prevented in the United States of America by the strictest regulation before the inauguration of the Federal Reserve System.

461. **Publicity.**—As pointed out above, mufassal banks have rarely failed in Bengal. Nevertheless, there have been a sufficient number of bank failures in recent years, so much so that depositors and shareholders should no longer refuse to take an intelligent interest in the working of their bank. While much can be said in favour of the principle of *caveat emptor*, some means must be provided to protect the interests of those who are unable to look after their own interests. To

achieve this purpose, the balance sheet should give more details than at present. To give only one instance, the details of the investment of the reserve fund should be given clearly mentioning at the same time if any portion has been pledged for securing a loan. Items such as "Reserve for bad and doubtful debts," "Reserve for depreciation of investment," and "Reserve for depreciation of bank premises" should not be allowed to swell the figure for reserve fund proper. The item "cash with banks" should give the names of the bankers and the amount and the terms of the deposit made with them. The fullest possible details of securities against loans, specially those in which bank directors and bank officers are interested, whether directly or indirectly should also be clearly set forth in the balance sheet. Window dressing should be prevented as much as possible by prescribing a fixed date for the closing of all banks. What date is to be prescribed should be determined by the majority of the banks themselves.

462. Concessions asked for.—The representatives of some loan offices asked for the concessions which we have discussed below :—

(a) They desired that the loan offices should be granted the privilege of free interlending with co-operative central and urban banks. There can be no objection to any loan office making a deposit in a co-operative bank if the bank is in need of the deposit and if the terms are agreeable to both the parties, but a co-operative bank is precluded under the existing law from making any deposit in any bank without the permission of the Registrar and we understand that the Registrar is not willing to permit them to deposit any money in a loan office. Very probably the reason is that the Registrar does not consider that the loan offices offer sufficient security for such investment. We are unable to make any recommendation which will fetter the discretion of the Registrar in the matter.

(b) Loan offices desired that the supply bills may be freely issued and paid in treasuries and sub-treasuries situated in places where there is no branch of the Imperial Bank. The issue and payment of supply bills must be a question of resource and is rightly decided by the Accountant-General according to the demand for cash in different places. Our Committee is unable to make any recommendation which will interfere with the Accountant-General's discretion.

(c) The last concession that the loan offices have asked for is that the documents by which they give loans to agriculturists should be exempted from payment of stamp duty and registration fee. There is no particular reason why loan offices should be specially favoured in this respect. This amounts in fact to subsidizing such loans from the State funds and if such a concession is given to the loan offices it will be impossible to adduce reasons for withholding it from money-lenders and other financing organisations. We are therefore unable to make any recommendation in this respect.

463. Special Act.—The large number and the great importance of loan offices in Bengal warrant a special Act for dealing with them in place of the existing Companies Act. In his latest Annual Report the Registrar of Joint Stock Companies, Bengal, refers to pathetic appeals made to him for securing payment of deposits and dividends and

delivery of share scrips and balance sheets. Although loan offices are not the only offending companies, a special Act, embodying the above recommendations and arming the Registrar with wider powers for enforcing those regulations seem to be clearly called for. At the same time too much reliance should not be placed on State regulations. Even in America their necessary limitation is frankly recognised. "It seems improbable" said the Chairman of the Legislative Committee of the American Bankers' Association in the course of his evidence before the National Monetary Commission, "that laws can be enacted which will compel all men to be honest in the management of business affairs. In other words, it does not seem possible that you can legislate to prevent failures." In any case, however important laws may be, sound banking cannot be ensured without sound bankers.

Part VI.

Miscellaneous.

CHAPTER XV.

Banks and Banking Practice.

464. **Definition of Bank.**—It has already been pointed out in Chapter III that no satisfactory definition of the word “bank” can be given. Nor can it be defined by describing its functions, as has been done by physiologists in the case of the word “life,” for banking functions, unlike vital functions, have assumed different forms in different countries. Thus the payment of deposits by cheques is a characteristic function of English banking, whereas on the Continent, discounting of bills and granting of monetary credits provide better criteria. So far as Bengal is concerned, neither cheques nor bills are much in use in the mufassal loan offices and banks, which, as we have seen, form the predominant element of the banking organisation of this Presidency. If acceptance of deposits is laid down as the only criterion, many industrial companies, which finance themselves with the help of such deposits, will have to be included. If the granting of loans is added as an essential function to the acceptance of deposits, as in the Japanese Bank Act of 1927, a few firms of managing agents, which accept deposits and make advances to companies managed by them, will be necessarily included. Probably a solution of these and some other difficulties is afforded by the following definition:— **A bank is a corporation which invites and accepts deposits from the public and offers and grants loans to them.** It will be seen that this definition excludes individuals and partnerships carrying on banking business, who should be called “bankers” and not “banks.” It is true that co-operative credit societies and central banks are also corporations, formed under Act II of 1912 but they do not offer and grant loans to the public at large, and therefore are not included in the above definition. The same may be said of the Post Office Savings Bank, which invites and accepts deposits from the public, but its funds are employed on the business of the State. Thus the definition contemplates principally institutions incorporated under the Indian Companies Act, 1913, for carrying on banking business. It is true that corporations like the Imperial Bank of India and Indian branches of banking companies established outside India are not excluded. The regulations required in the case of the former are included in the incorporating Act itself. As regards the latter, we refrain from making any recommendations, for they are to be considered by the Central Committee. Our concern is principally with banks registered in Bengal, whether public or private.

465. **Regulation of registered banks.**—Banking companies have to be treated somewhat differently from other concerns, for in the case of the former it is not simply a question of protecting the shareholders, who may be expected to safeguard their interests through the directors whom they elect, but of a much larger body of depositors who contribute

the bulk of the working funds in the shape of deposits. It is for this reason that a few restrictions, specially required for Bengal, have been recommended in the preceding chapter. Some of them probably have a wider application. On the other hand, there are a few measures which, if adopted in other parts of India, should be extended to Bengal. For instance, a banking company like any other company need publish its balance sheet only once a year and at an interval of not more than fifteen months. It is desirable that the period should be reduced to six months. For a depositor should have timely notice of the affairs of his bank, not only in his own interest but also in the interest of the bank itself, which may cut its losses by timely liquidation instead of prolonging its embarrassed career. It is true that under Section 136 of the Indian Companies Act, 1913 all banking and allied companies are required to exhibit prominently a statement according to Form G in the third schedule, on the first Monday in February and the first Monday in August every year. But this Form cannot serve as a substitute for a duly audited detailed balance sheet. Even the Form F in the third schedule prescribed for the balance sheet does not contain as many particulars as appear to be essential. These particulars have been discussed in the previous chapter. If these details are required to be published by statute, an auditor cannot be regarded as too inquisitive by the bank authorities, in whose hands his reappointment virtually rests, even though in law he is appointed by the shareholders. Besides there will be greater uniformity, the scope for individual choice on the part of an auditor being strictly limited. At present, there may be a disposition to condone irregularities which, although not material at first, may develop later into real dangers. By the time the auditor feels that he must point them out to the shareholders for the sake of discharging his professional responsibilities even at the risk of losing his appointment as a result thereof, the affairs of the bank may have become irretrievably bad. Thus, the suggested measure will not impair the independence of the auditor, on the contrary it will afford him greater scope for exercising his initiative. A full and accurate statement of assets and liabilities, although not a substitute for statutory percentages of cash to liabilities, or of paid-up capital to total funds, or of reserve fund to paid-up capital, operates as an automatic check against irregularities and abuses sought to be removed by these legal restrictions in foreign countries. There are also a few other minor points, which deserve consideration. Recently a bank in Calcutta advertised its authorised capital of several crores of rupees, without mentioning its small paid-up capital and went so far as to publish its prospectus without filing a copy with the Registrar of Joint Stock Companies. Another Calcutta institution has set up an ingenious self-financing device of securing "admission fee" and "candidature fee" from the applicant for a loan as also from two of his friends, with the proceeds of which it is able to make loans, repayable by instalments, at a very high rate of interest, which is however cleverly disguised by a few apparently harmless provisions. Another bank in Calcutta has adopted a similar plan of offering a loan up to a certain multiple of the paid-up share capital to every shareholder without any security whatsoever, but only when he is able to procure two other shareholders, under the same conditions. The hands of the Registrar of Joint Stock Companies should be strengthened, if necessary, to stop such abuses and frauds. The penalty imposed is often inadequate. For instance, the first mentioned institution was let off with

a small fine. We however refrain from making any recommendation beyond mentioning the instances that have come to our notice. For these abuses do not appear to be prevalent in Bengal to a greater extent than in other parts of India and call for no measures peculiar to Bengal. Regulations that are found to be necessary and practicable in other provinces should be extended also to Bengal.

466. Regulation of partnerships.—One effect of prescribing regulations for the management of banks, both public and private, will be to give them a higher status than other credit institutions. It is therefore not desirable that any other concern should be permitted to describe itself as a bank. But, as stated above, a distinction has to be made between a bank and a banker. Banker or its vernacular equivalents such as *shroff* or *mahajan* is often a mere title of courtesy offering not much inducement to the public to make deposits, just as there are some zamindars in Bengal, who cling to their title although their properties have all but passed away. Thus there should be no legal bar to partnerships, carrying on banking business, calling themselves bankers. If, however, they desire to avail themselves of the privileges of banks, they should be required to conform to regulations suggested in Chapter XIII for indigenous bankers.

467. Use of vernacular.—The questions of amendment of law relating to banking practice brought up before our committee centre chiefly round negotiable instruments and have been already considered in chapter X and will be further discussed in the next section. As regards a more extended use of vernacular in banks, the necessity and the probable effect of permitting the use of cheques in vernacular will be discussed in the next chapter. Regarding its employment in other directions, there is no question that a pass book in vernacular will be intelligible to a much larger body of persons than a pass book in English. The multiplicity of vernaculars, which presents great difficulty in other provinces, e.g., Madras, is not serious in Bengal. According to the census of 1921, Bengali is spoken by 43 million persons out of a total population of 46·7 millions. Besides, English is understood by many people who speak other tongues. Many residents of Bengal who are shown in the census as speaking other languages understand Bengali. We therefore feel that wherever possible, banking instruments and other papers and books should be written in Bengali as well as in English. There are obvious difficulties involved in the use of bilingual forms and it is for banks themselves to consider whether the advantages outweigh these difficulties. We therefore refrain from making any specific recommendation on this point.

468. Abolition of stamp duty.—It should be realised that a much larger issue than the mere convenience of customers is involved in popularising bills of exchange which form the keystone of the arch connecting indigenous and European banking. Until a regular bill market is developed, close cohesion among the different components of the banking organisation brought about by the discounting and rediscounting of bills will be impossible. It follows that the hindrances to the issue of bills such as high stamp duty should be removed as far as possible. Admittedly, the present rate of duty is high as compared with the duty in force in other countries. In the United States, taxes on bills and notes are called “nuisance taxes” and have been abandoned

after the War. Even in Great Britain where the burden of taxation is heavier than in other countries the duty on bills is only $\frac{1}{2}$ per mille as compared to 1.35 per mille in Bengal. The Hilton-Young Commission recommended the abolition of stamp duty on bills but Government have accepted their recommendation only in the case of cheques. They have also been obliged to refund the stamp duty on ninety days' bills tendered for the issue of emergency currency by the Imperial Bank. We recommend that the stamp duty on inland bills of exchange for terms not exceeding ninety days be entirely abolished. Bills for a longer term are not required for the proposed bill market to the same extent and should be subject to duty but not at the present high rate. We recommend that the stamp duty on bills for terms exceeding ninety days but not exceeding one year should be halved, the present duty being continued for bills for a term of over one year. In the United States of America promissory notes are utilised for the same purpose as bills in spite of their obvious inconvenience. This is partially true in Bengal. Some people even go so far as to execute a joint and several on-demand promissory note coupled with a separate letter stipulating a certain date of repayment for the evasion of stamp duty on bills. Such undesirable practices add only to the other disadvantages of promissory notes. It will be difficult to develop the bill market if promissory notes compete with bills. We are therefore of opinion that the present duty on promissory notes be retained.

469. Loss of revenue and suggestion for meeting the loss.—It will be difficult to estimate the financial loss arising from the reduction of stamp duty on certain classes of hundis and its abolition with regard to others, for it is impossible to assume that bills will continue to be drawn in the same way as now. On the one hand, more bills will be drawn for transactions now being financed by promissory notes, cash credits or in other ways, and, on the other hand, some bills now drawn for a term exceeding ninety days will in future be drawn for that period. Without attempting an estimate which must necessarily be rough in view of such uncertainties it will be more useful to indicate a new source of revenue, for after the Meston award, Bengal is so financially crippled that any diminution of revenue, however slight, will have serious consequences. It has already been pointed out that blank transfers are much in vogue in Calcutta, thus avoiding largely the payment of stamp duty on transfers of shares. We are unable to make any specific recommendation except to seek the aid of the Calcutta Stock Exchange in enforcing the payment of stamp duty on the English plan of periodic settlements and of declaring blank transfers as bad delivery. Without this co-operation, a mere declaration that a blank transfer is void in law will only inflict some hardship on innocent purchasers, but will in other respects be futile. The nullification of Leeman's Act, 1867, regarding bank shares by the London Stock Exchange may be cited as a case in point.

The Negotiable Instruments Act, 1881.

470. The case for our consideration.—The question of amending certain sections of the Negotiable Instruments Act arose out of a ruling of the Bombay High Court to the effect that under Section 50 of the Act a bearer bill can be legally changed to an order bill by endorsement.

This has made it incumbent on the business community to scrutinise all endorsements on bearer documents and on banks to examine the endorsements even on bearer cheques, thus throwing considerable extra work and responsibility without any compensating benefit to either side. The previous banking practice in India was to treat bearer drafts, hundis and cheques as negotiable by delivery in all circumstances irrespective of any endorsement made thereon, thereby conforming to the banking practice in the United Kingdom. On the demand of the Associated Chambers of Commerce for the restoration of the old practice the Government of India introduced a Bill before the Legislative Assembly in 1929, which sought to provide that a negotiable instrument originally made payable to bearer shall be negotiable by delivery irrespective of any endorsement that might have been made on it. The intention of the Government was to create by means of the Bill a new type of negotiable instrument which would always remain payable to the bearer and might be used by the banking community and the commercial public only when necessary. The Bill was however thrown out on the following grounds:—

(1) The holder of a bearer hundi or cheque should not be deprived of his elementary right of protecting himself against loss by making it "payable to order," simply for the purpose of relieving banks of their normal duty of examining the endorsements.

(2) The proposed amendment will withdraw all protection from the hundi which according to established local practice has to be enfaced with instructions regarding the method of payment in a way similar to crossing a cheque.

(3) The question is one for the examination of the Banking Enquiry Committee.

471. The Government of India while inviting suggestions for the amendment of the Negotiable Instruments Act has desired the Committee specially to enquire into the following questions:—

(i) Whether with a view to secure that negotiable instruments fulfil their proper part in Indian commerce it is necessary to create by law a type of instrument which being originally drawn payable to bearer will always remain payable to bearer;

(ii) Whether legislation designed to secure this end should cover both cheques and other forms of negotiable instruments like hundis; and

(iii) Whether in case such legislation is recommended as desirable, there is any need for protection in the case of hundis analogous to that provided by "crossing" in the case of bearer cheques.

They explained that the Bill was intended to apply to all negotiable instruments as defined in the Act except hundis in vernacular which will be governed according to local usage, which would have to be determined, in each case, by judicial decision. The onus of proof will however be on the person who sets up such local usages. The Committee were asked also to consider whether the law should enable a person other than the drawer of a cheque or bill of exchange to alter the character of the instrument from "bearer" to "order" by mere substitution on the face of the documents and whether such a provision will defeat the object of the Bill under reference. It was also pointed out that the statement in (2) above that instructions on the face of

a hundi act in the same way as crossing a cheque does not mean that such hundis will be made payable through a banker. The intention is that banks will have to take into account such instructions with the result that payment has to be made not to any bearer of the hundi but to the person mentioned in the hundi.

472. Opinions received by us.—In our letter Nos. 10-19 B.E.C., dated 29th November 1929, we invited the opinion of some Banks, Chambers of Commerce and Associations on the proposed legislation. The Bengal National Chamber of Commerce, the Exchange Banks Association and the Bank of India have not sent any reply. The opinions of the others are summarised below:—

(1) *The Indian Chamber of Commerce.*—The proposed amendment is unnecessary. It seeks to afford protection to bankers in India against authorised or unauthorised endorsements on demand drafts drawn by one branch of a bank upon another branch of the same bank. But no definition is given in the Bill as to what a bank is. If it is intended to make the law applicable to modern banks, as understood in the ordinary sense, no distinction should be made between banks and shroffs and other firms that carry on hundi and remittance business and have branches at several places. If the banks want protection, the best course for them would be to draw the drafts payable to “bearer” instead of to “order.” The proposed legislation would alter the meaning of the word “order” which would lead to confusion. It would also withdraw an element of protection to the public and thus hinder the progress of banking habit. It is not apparent how the banks stand in danger of being disastrously affected under the existing law.

(2) *The Bengal Provincial Co-operative Bank, Ltd.*—Considering the definition of “payee” in Section 7 and “Endorsee” in Section 16, it is doubtful whether the protection afforded by Section 85 of the Negotiable Instruments Act extends to any endorsement other than that of the original payee.

The bankers in England are protected for payment on endorsement of the payee or that of any subsequent endorser.

An amendment of the section is, therefore, desirable.

(3) *The Imperial Bank of India.*—(i) The Act should be amended so that no endorsement on a negotiable instrument payable to bearer should operate to restrict its negotiability, thereby legalising a practice considered regular and followed by banks prior to the Bombay decision.

(ii) Such legislation should cover both cheques and other forms of negotiable instruments like hundis, but

(iii) If it is considered not desirable that any established usage which may have grown up in respect of the hundi should be interfered with, hundi may be excluded from the operation of the proposed legislation. It is wrong that a much needed alteration of the law in respect of the negotiable instruments should not be affected only because of a possible consequence to the hundi.

(4) *The Bengal Chamber of Commerce* agrees with the Imperial Bank and adds that the sole argument against the principle of the measure is apparently the effect it might have on hundis.

(5) *The Chartered Bank of India, Ltd.*, also gives the same opinion as the Imperial Bank and the Bengal Chamber of Commerce.

(6) *The Central Bank of India, Ltd.*, supports the proposed amendment, recommending at the same time some protection in the case of hundis, analogous to that provided by "crossing" in the case of bearer cheques.

(7) *The Marwari Association* does not view with favour the proposed legislation, which will certainly prove convenient to the banks and bankers but only at the expense of the interest of the holders of bearer documents. The Bombay ruling provides a necessary protection and there is no reason why it should be withdrawn. The commercial community will be the greatest sufferers if the proposed legislation is passed.

473. **Our opinion.**—(1) We are of opinion that it is desirable to create by law a type of instrument which being originally made payable to bearer should always remain so, even if any endorsement to the contrary be made on it by anyone other than the drawer. Such instruments are essential for the expansion of banking. (2) This legislation should not however cover hundis which should as heretofore be governed by local usage. (3) We do not think that any protection is required in the case of hundis analogous to that provided by crossing in the case of bearer cheques. If any protection be required in the case of a hundi it can be provided by suitable directions made in its body.

Part VII.

Investment Habit and Attraction of Capital.

CHAPTER XVI.

474. **General observations.**—A sure criterion of the economic development of a country is the growth of the investment habit of its people. Where people are slow to realise the benefits of investment and take recourse to hoarding, the velocity of circulation of the currency is materially affected, the supply of finance for distributive trade becomes insufficient and the control of the central currency and credit organisation over the money market becomes less effective. Further, the supply of credit is restricted and the funds available for investment cannot be mobilised. As a consequence, production suffers and the economic resources of the country cannot be utilised to the best advantage of the people.

475. The growth of investment habit is dependent on certain fundamental conditions being fulfilled. The first requirement is that there should be a surplus, i.e., the income of the average unit must be greater than its ordinary expenditure. Secondly people must be literate or at least able to write their names and sufficiently educated not only to realise the benefit of investing as against hoarding, but also to understand the technicalities of investment. Lastly, there should be ample supply of safe, profitable and easily realisable investments both for short and long periods and the processes of investing and realising must be simple and facile.

476. Almost all witnesses are unanimous on the point that there is little surplus left with the agriculturists, by far the majority of the people, even in a normal year. The landed aristocracy of the province are also far from solvent. The salaried and the professional sections of the middle class, have often a moderate surplus for investment, while the business communities are also in a position to contribute at least to the short term, if not to long term, investments. Of the middle class investors, the first category, viz., the salaried class, consists of extremely cautious people who will not invest in anything except Government securities or in such institutions as are directly or indirectly connected with or controlled by Government. The professional section on the other hand are less conservative and are ready to take risks provided there are reasonable prospects of gain. Business people have generally neither preference for, nor bias against any class of investment. Those who have surplus for investment are generally literate and realise the evils of hoarding. They would much more readily invest their surpluses if only a little intelligent propaganda is made among them.

477. Leaving aside investments in agriculture it is not possible to estimate from the evidence how and in what proportion the different classes of investors prefer investments of different currencies; but it appears that the middle class people generally prefer comparatively long term investments, while the business communities like short term investments except, when they desire to invest their accumulated profits

which are not required for their business in permanent investment. The former are also the patrons of all kinds of savings institutions in the province. The prospective investor carefully distinguishes between the two classes of investments, viz., those in which there is no appreciation or depreciation of capital as in bank deposits, debentures, etc. and those like certain classes of Government securities and industrial scrips in which such changes occur. Of late, the confidence of the investors in Government securities has been rudely shaken by wide fluctuations in the prices, while the buyers of industrial securities have also become extremely cautious after the collapse of the post-War industrial boom, resulting in heavy losses to the investors in this group of securities.

Institutions for Encouraging the Investment Habit.

478. Postal Cash Certificates.—Postal Cash Certificates constitute an ideal class of securities for conservative investors of moderate resources. The savings of this class in rural areas would have gone into hoards but for the Post Office Savings Banks and the Postal Cash Certificates. If there is no material change in the present yield of interest on Government loans, the existing rate of interest allowed on these certificates is quite sufficient. The primary consideration with the class of investors who purchase these certificates is security and not the rate of interest. If the rate of interest is raised, funds may be diverted from other institutions for investments, which should not be starved in the best interests of the country. But all the witnesses who tendered evidence on the subject emphasised the need of modifying the rules for encashment of these certificates before the date of maturity. They were of opinion that the popularity of these securities will increase if the full rate of interest is allowed when the certificates are cashed after one year from the date of issue and not after the full term as is the rule at present. The Committee, however, do not recommend any change in this respect as it will fundamentally alter the character of these Certificates and tend to more frequent withdrawals before maturity. Many witnesses also wanted to reduce the limit of the individual holding to Rs. 5,000 in these Certificates to restrict these investments strictly to middle class investors. The Committee, however, are unable to recommend this reduction, for it is almost certain that with the gradual improvement in the economic condition of the middle class population, these securities will be increasingly purchased by them.

479. Postal Savings Banks.—The Postal Savings Bank offers facilities for investment to the conservative elements in rural as well as urban areas. As mentioned before, the clients of Postal Savings Banks form a class by themselves. The rate of interest is not the primary consideration with these depositors and so it need not be raised from the present level. In some countries like the United States of America the Postal Savings Banks operate as feeders to joint stock banks, as the Trustees of the Savings Banks may lend a portion of this deposit to approved banks of the locality at a slightly higher rate of interest. Such a course is not possible in the present state of development of joint stock banking in Bengal. These deposits will continue, as at present, to reduce the demand of the Government on the capital market of the country. The Postal Savings Banks of many foreign countries render, in addition to their usual duties, a variety of

services to trade and industries. All these may not be possible in India, but it appears from the evidence tendered that the deposits, already of considerable volume, can be materially increased with the following improvements in the working of the organisation:—

- (a) Use of pass books and signatures in vernacular.
- (b) Opening of Savings Banks Departments in all Branch Post Offices and ensuring prompt repayments of savings banks deposits in these offices.
- (c) Facilitating making of deposits by cheques. (The amount not to be credited until the cheque is cleared.)
- (d) Allowing withdrawals of savings banks deposits by cheques drawn on the Post Office. (This will encourage the cheque habit.)
- (e) Allowing withdrawals in other Post Offices by withdrawal forms or pay orders or letters of credit.
- (f) Allowing joint accounts to be opened and operated by either of the depositors and by the survivor on the death of one of them.

480. Although it is not expected that business people in general will open accounts with the Post-office Savings Banks, small traders may utilise these banks for remittances if these recommendations, particularly (e), are given effect to.

481. **Other Savings Banks.**—Besides the Postal Savings Banks, savings institutions are associated with the Imperial Bank and some Exchange and joint stock banks. These institutions allow slightly higher rate of interest than the Postal Savings Banks and withdrawals are in a few cases effected by cheques.

482. These institutions are only useful in Calcutta where the salaried and professional middle class people bank with them. The share of the Imperial Bank in this business is naturally larger than that of the other banks but the total volume of these deposits constitutes only a small proportion of the entire bank deposits in the province. The introduction of safe boxes, as has been done (by some banks) to popularise the savings habit and promote thrift, may attract larger deposits, but in any case these institutions are not expected to play an important role in mobilising capital in the province.

483. **Rural Co-operative Societies.**—These societies occupy a unique position in the banking organisation of the province. They are regularly supervised and audited by Government officers and are in touch with the masses of the agricultural population. They are smallmen's organisations and therefore most suitable for creating investment habit among the agriculturists who have at present no other facilities in their neighbourhood for safe deposit of their small savings. The raiyat may be easily persuaded to adopt a system of daily saving by *mushti* or otherwise and to deposit such savings in his own village society. A comparison of the members' and non-members' deposits in these societies for the year 1924-25 with those of the year 1928-29 will show that, small as the saving of an agriculturist is, such societies have been able to attract a good deal of deposit from them. In the latter year the members' and non-members' deposits were Rs. 17,05,041 and

Rs. 16,83,157, respectively, against Rs. 10,07,822 and Rs. 11,42,133 of the former year. Thus in the space of 5 years not only the deposits of members have increased by 7 lakhs but they have surpassed the non-members' deposits. The more these societies multiply and develop, as they are expected to do, the more will they succeed in tapping the area not approachable by any other organisation. This popularity is due not only to Government supervision and audit but also to the fact that the masses know how and where the money is being utilised.

484. Central and Urban Co-operative Banks.—The central and urban co-operative banks have inaugurated various kinds of endowment funds, provident funds, home saving boxes, savings banks and other forms of encouraging thrift. Recently a Co-operative Life Assurance Scheme has been formulated on a provincial scale for the benefit of members of co-operative societies in both urban and rural areas. All these methods of attracting deposits will, it is hoped, succeed in creating an investment habit among the masses. The special advantage enjoyed by these banks is that they are generally believed to be Government institutions and the ordinary depositor prefers to put his savings into them. On the 30th of June 1929, the deposits of members in these banks amounted to Rs. 71,97,940, while those of non-members amounted to Rs. 3,42,85,381. This clearly demonstrates the popularity of these banks. Some of these central and urban banks offer as high a rate of interest as 9½ per cent. on fixed deposits, and naturally deposits flow to them. In fact in a few cases it has been found that they have more offers of deposit than they can profitably employ in their business. Such high rates can be offered by co-operative banks on their deposits as the rates on which they lend are still higher ranging from 9½ per cent. to 12½ per cent. and also because the management charges are low. There is no doubt that through their operations funds are being increasingly diverted from distributive trade and industries to agriculture as the co-operative societies mainly operate among the agriculturists.

485. Joint stock banks.—Joint stock banks, including the Imperial Bank and Exchange banks, cater only for rich people and big businessmen in Calcutta. Their deposits, both fixed and on current account, are derived mainly from these classes. They are not keen upon securing small accounts although according to competent observers there is an unlimited field for development in this direction. It should, however, be brought home to the big banks that a large number of small accounts will eventually be more profitable to them than a few big accounts. In Calcutta, branches may be profitably opened by the joint stock banks in different parts of the city to bring the banking facilities nearer home to the prospective clients and the hours of business in such branches changed to suit the clients. In more important commercial centres there may be branches of the Imperial Bank or other joint stock banks, but some time must elapse before branch banking can be successful in the province. There is a lack of suitable investments for such banks in the mufassal. Invoices, documents of title, etc., are not usually tendered in support of the bill or advance, and the effect is that the rate of interest on deposits in the branch banks is determined by money rates in Calcutta where these funds are ultimately employed. It is true that branches of the joint stock banks, particularly of the Imperial Bank where these exist, invest a little on stock-in-trade, but the volume of this

business is extremely restricted. As the branch banks can neither offer high rates for deposits nor find suitable investments, the local needs for accommodation are left to the local institutions.

486. Loan offices.—Loan offices play an important rôle in the banking organisation and hence in the economic life of the province. Their number has increased rapidly since the War and is now 782. They are joint stock organisations with small share capital; in most of the new floatations the paid-up share capital is incredibly small. Their working capital consists mainly of deposits obtained from the middle classes and businessmen of the locality. As a result of the keen competition with each other and with the co-operative banks, these offices are now compelled to offer higher rates of interest on deposits and naturally the margin of profit has declined. They lend to all classes of people, including agriculturists, on personal credit and on mortgage of real properties. They do not generally undertake remittance business or purchase of securities or any other form of commercial banking. Some of them have trading departments in addition to banking with a view to employ profitably the funds during the slack season. These institutions have established for themselves a position in the economic life of the country and in view of the fact that branch banking is not likely to be developed in the province in the near future, it is desirable that these institutions should be improved and consolidated so as to be really useful to trade and industries.

487. Indigenous Bankers.—In spite of the expansion of the co-operative movement and the growth of joint stock banking in the shape of loan offices, there are many places in the province where no form of organised banking, not even the Post-office Savings Bank exists. The difficulty is accentuated by the illiteracy of the masses, as the use of a cheque book implies education and even in the simplest process the man must be able at least to sign his name. Even in bigger centres there are prospective investors who still view the activities of loan offices and co-operative banks with suspicion and keep themselves aloof from these institutions. They prefer to deal with the indigenous bankers. There is less formality and complication in the dealings of depositors with the indigenous bankers who can be approached at all times and hours and who are in a position to know their financial condition, which knowledge, for a long time to come, will be the basis of credit granted in India. Even now they fill a very important place in the banking life of the country and supply a much needed demand. They do not get much deposits now-a-days because of the competition from different quarters and are mainly dependent on their own resources. The position of these bankers should be improved and their status raised so that they can command respect and confidence of the public. They are sure to be able to tap and mobilise the innumerable small resources for investment, which cannot be ordinarily approached through any other agency and will therefore remain dormant.

488. Competition of Government with Joint Stock Banks.—There can be no denial of the fact that in recent years Government has become a competitor with the joint stock banks in the capital market of the country particularly in Calcutta. The yield from Government securities is now about $5\frac{1}{2}$ per cent., while the Postal Cash Certificates yield about 5 per cent. compound interest, on maturity. As the joint stock banks do not borrow generally for more than a year and cannot lend in any

case at more than 1 per cent. above the bank rate, the average of which has moved between 5 and 6 per cent. in the last few years, their difficulty of securing fixed deposits has become accentuated. Deposits on current account have also been affected recently by the high yield of treasury bills, which now comes to about 6.75 per cent. When an investor feels that he will not require the entire amount of his deposits for immediate use he invests in treasury bills which are sometimes available for usances up to one year. The only checks applied against this denuding of deposits in joint stock banks are the fixing of the unit in the case of treasury bills at Rs. 25,000 and limiting the maximum amount to be invested by individuals in Postal Cash Certificates to Rs. 10,000.

489. In the mufassal, this competition, so far as the floating deposits are concerned, is not so keenly felt. The investors there are in general not in a position to buy such units of treasury bills. The Cash Certificates on the other hand, even with the present yield, are diverting a portion of the funds which would have been invested in joint stock banks, but if the rate of interest in these securities be not raised, no great disturbance is apprehended in the existing system although some witnesses have suggested a lowering of the maximum limit of individual holding to Rs. 5,000. Rates of interest on advances in the mufassal are high and so the banks and bankers there can afford to offer higher rates for deposits, both fixed and current. The banks and indigenous bankers in the mufassal are, however, experiencing competition from another quarter, namely, the co-operative banks, which are regarded as pseudo-Government institutions. These latter can offer high rates for deposits as they can employ them lucratively among the agriculturists.

Existing facilities for the purchase and sale of Government Securities and other securities.

490. **In Calcutta.**—Ample facilities exist in Calcutta for purchase and sale of all kinds of securities in the local Stock Exchange through brokers and bankers. Gilt-edged securities of all denominations can also be bought direct from the Imperial Bank and several well-known firms of jobbers. There is, however, one serious difficulty in connection with the investment in industrial securities. These shares are ordinarily dealt with in lots of 100 in the case of ten-rupee paid-up shares and of 25 in case of higher denominations. Smaller or odd lots can be brought or sold only with extreme difficulty and invariably the buyer must pay a much higher price when he wants such a lot and again accept a lower rate when he is in need of disposing of the same. It is said that the managing agents of the industrial concerns also do not favour subdivision into small lots. The result is that an investor of moderate means cannot distribute the risks by investing in different classes of securities. He must put all his "eggs into one basket" and if there is a slump in that particular industry his investments depreciate. It is desirable that an arrangement should, if possible, be made, by which small lots of different classes of securities will be made available to the investors with limited means.

491. **In the mufassal.**—Government securities can be purchased in the mufassal through the branches of the Imperial Bank where they

exist and also through the Post Offices, but these facilities do not appear to be sufficiently well-known. The shares of local joint stock companies, like those of the loan offices or tea gardens in the tea districts, can be readily bought and sold locally, but there is hardly any agency in the mufassal centres to market industrial securities generally dealt with in the Calcutta Stock Exchange. The Stock Exchange brokers are prohibited from advertising and possibly they do not also find it profitable to open agencies in important centres in the interior. The mufassal investors are as a rule people with moderate means. They cannot purchase big lots of industrial securities. Their information about the securities market is extremely limited and that is why they are frequently victimised by bogus share brokers who periodically visit the mufassal centres. Diffusion of knowledge and information through newspapers and economic journals is certainly a good remedy for the present defects, but the brokers may also consider the suitability of sending their private circulars to individuals in important centres, while influential loan offices and indigenous bankers may undertake the purchase and sale of securities in Calcutta on behalf of their clients on a commission basis.

Investment Trusts.

492. One of the surest ways of developing the investment habit of people is through the organisation of Investment Trusts. These institutions have probably done more than any other single organisation in fostering the saving and investment habit in Great Britain, and the United States of America. These Trusts although of very recent origin have proved an immense success. The advantages of these institutions are obvious. A prospective investor with a moderate amount, say Rs. 500 or Rs. 1,000, cannot distribute the risks of investment by buying different classes of securities assuring safety and at the same time a return higher than that available for gilt-edged securities with prospects of capital appreciation. These Trusts, when sufficiently strong, may take up underwriting business, find capital for really good concerns and help the existing industries in various ways. The only requirement is an honest and experienced Board of Directors capable of following accurately the currents and cross currents of the security markets of the world. There is undoubtedly a dearth of such men in the province, but still it may not be impossible to find a few such people to guide efficiently the activities of several of such institutions. The industries of India are not, however, of sufficiently diversified nature, to offer scope for safe investment of such Trusts. Nor is there any market in India for foreign securities in which investments could be made to counteract the effects of a possible slump in the Indian industries.

Gold Cash Certificates.

493. The issue of gold cash certificates similar to Postal Cash Certificates redeemable at maturity in legal tender money or in gold at the option of the holder, as recommended by the Hilton-Young Currency Commission of 1925-26, may foster the investment habit in rural areas where the desire to possess the yellow metal still prevails. The yield

on this investment will presumably be the same as in Postal Certificates, while the risk of fluctuation in the price of gold is eliminated by the provision of redeeming the certificate in legal tender if the holder so desires. The experiment is therefore well-worth trying, although it seems that the major portion of the subscription to these certificates will be diverted from the Postal Cash Certificates.

Provincial Savings Associations.

494. The Savings Banks deposits or the sale-proceeds of Postal Cash Certificates are now utilised for Government capital expenditure and naturally the rate of interest that can be offered is strictly limited by the yield in Government securities. The small depositors will obtain a slightly higher yield on their savings if a Provincial Savings Association is formed or Savings Banks are organised under rigid Government control on the model of the non-official institutions as are found in almost all civilised countries of the world, particularly in Japan, Sweden and Denmark. In Great Britain there are institutions of the latter type known as Trustee Savings Banks working under the Trustee Savings Banks Act of 1863. In India time has not yet perhaps arrived for the establishment of institutions of this type, but a beginning can be made to attract the small investors, who want a little higher yield than available from Postal Savings Banks deposits by starting a Provincial Savings Association. Regular deposits, however small, may be collected from the small investors in the mufassal through Post Offices or co-operative institutions or any other existing agency and the amounts thus collected may be handed over to a Statutory Board to be invested in safe securities, not necessarily of Government alone, at the discretion of the Board, working under suitable restrictions regarding the nature of investments. The arrangement will have the advantage of pooling very small amounts for lucrative investments, which in the normal course are beyond the range of small investors. In fact, the organisation will work as an Investment Trust for very small investors. It is evident that higher rate of interest may be allowed to the depositor than available from existing sources. At the same time the deposits will be perfectly safe. It is, however, obvious that the collection of deposits and the return of the same on the expiry of the term must be effected through some existing agency. No separate establishment is possible in the beginning as that will be a heavy burden in the experimental stage. Perhaps in the beginning such an institution may be established on a co-operative basis.

Postal Life Insurance.

495. A suggestion has been put forward that the saving habit of the people can be encouraged by extending the benefits of the Post Office Life Insurance scheme to the general public. The information and the evidence we could secure on the different aspects of the proposal are meagre, but we are inclined to believe that time has not yet arrived when such a measure can produce the desired effect of fostering thrift among the masses and at the same time of tapping the innumerable small reservoirs of funds scattered all over the country. Insurance habit has not yet spread sufficiently in the province, even in urban

areas. Only the educated middle-class people insure themselves and they can do that easily with the private companies. The Government Actuary has also admitted that if all expenses in connection with the issue of policies, medical examination and other incidental services are taken into account, the Postal Insurance organisation would not be in a position to offer more attractive terms to the public than private companies do. The argument that funds secured from the public through the machinery of the Postal Insurance Department will go to reduce the demand of the Government on the capital market also loses much of its force when it is remembered that the funds of the insurance companies are invested mainly in gilt-edged securities. The proposal, if adopted, will in our opinion involve unfair competition with the insurance companies in their present stage of development, without conferring any appreciable benefit on the country and we cannot therefore recommend its introduction.

Growth of Cheque Habit.

496. The wider use of cheques in the place of coins or currency notes is both an indication and a requirement of the growth of banking habit. As yet the cheque habit has not firmly established itself outside Anglo-Saxon countries. The growing use of the cheque is welcome, but not indispensable to the development of banking habit. In the continent of Europe, particularly in France, cheques are sparingly used but the banking system is up to date from all other points of view. In India the difficulties in the direction of popularising cheques are enormous. The use of a cheque book implies a certain amount of education which the majority of our countrymen do not possess. Cheques in the mufassal are always looked upon with suspicion and are not readily accepted in payment of dues. Among the literate classes in cities and also among the business community the use of the cheque has undoubtedly grown since the abolition of the stamp duty because of the convenience and the security it affords both to the drawer and the payee. When formerly a businessman used to draw one cheque and get cash for many disbursements and payments, he now draws separately to pay the individual creditors. The major portion of the increase in cheques is perhaps to be accounted for by this development. Some witnesses have suggested the use of both English and vernacular for cheque books. We are inclined to recommend this measure though some bankers have objected to it. The use of the vernacular will certainly widen the sphere and will undoubtedly be a move in the right direction. Some have advocated all Government payments of Rs. 200 and above to be made by cheques. Wherever there is adequate banking facility this measure is advisable. If the cheque habit is to be encouraged in the mufassal there must be clearing centres, preferably in the branches of the Imperial Bank where they exist; where, however no such institutions exist, the local banks must make arrangements among themselves to facilitate clearing of cheques drawn upon them. Even in Calcutta there should be one clearing a day arranged for small banks. And, as suggested before, the introduction of cheques in Postal Savings Banks may stimulate the growth of the cheque habit.

497. To encourage the cheque habit we would recommend that wherever there is a branch of the Imperial Bank, the following payments of sums exceeding Rs. 100 should be made and accepted by Government by cheques payable at the Imperial Bank:—

- (a) salaries, pensions and other Government payments;
- (b) purchase money in auction sales conducted by Civil and Revenue Courts and other Government officers;
- (c) land and excise revenue, cesses, income-tax and other Government dues; and
- (d) deposits made by private persons in Civil, Criminal and Revenue Courts.

Where there is no branch of the Imperial Bank, a court or other Government officer making a payment exceeding Rs. 100 to any private person, should, at the request of the payee, make the payment by a cheque payable at any branch of the Imperial Bank that he may indicate.

Extension of Banking facilities.

498. The existing banking facilities of the province have already been described and some urgent improvements needed in the case of different institutions have been suggested. In view of the difficulties in the direction of the development of branch banking, it appears convenient and judicious too, that till the borrowers are better educated to appreciate that a bill representing an actual transaction commands a readier market and better rates from banks, the banking business in mufassal centres is to be left to loan offices, co-operative banks and indigenous bankers, each with a distinct sphere and function. It would be convenient if the agricultural co-operative institutions are to supply agricultural credit, while the loan offices and the indigenous bankers finance trade and industries, but as indicated in Chapter XIVA, the present conditions do not warrant any hope of ensuring such a well-marked division of functions.

Part VIII.

Summary.

CHAPTER XVII.

Summary of Conclusions and Recommendations.

499. The outstanding features of rural Bengal are that 83 per cent. of the people are engaged in agriculture, that agriculture has spread over 86 per cent. of the area available for cultivation and there is very little room for further expansion; that the pressure on agricultural land is very great, 6 million cultivators farming 31 million acres; and that the produce of the agricultural farms is so small that it can hardly keep the agriculturist families in barest necessities of life. Providing further banking facilities for them and making cheap credit available for them will not by themselves be of any avail, unless means are found to increase the produce of the land by intensive methods of agriculture and to secure for them a greater share of the value of the produce that the consumer has to pay. We have attempted in the preceding chapters to show what he lives on, to ascertain his present indebtedness, to describe his existing credit and banking facilities, and to devise means for increasing these facilities, but we feel that their condition cannot be improved unless intensive agriculture is introduced and the profits of the middlemen who stand between them and the consumers of their produce are reduced. We desire to bring these facts prominently to the notice of the statesmen who are entrusted with the destiny of our country.

500. In **Chapter I**, we have described the constitution of our committee, the work we were called upon to do, and how we have done it. We have briefly described the difficulties that all such enquiries must contend against and those which we in particular encountered.

501. In **Chapter II**, we have given a short account of the physical features of the Presidency and its population. The general conditions of agriculture, rainfall, principal crops, systems of land tenure and agricultural rent have been described. We have attempted to estimate the number and area of agricultural holdings and found them to be 6 millions and 31 million acres, or an average of 5.2 acres per holding. We have estimated the average value of agricultural land as Rs. 300 per acre. We have ascertained the cost of producing the staple crops and the profits derived therefrom, and the total value of the crops produced (243.8 crores of rupees). We have described the subsidiary occupations of the agriculturists and estimated the average gross income of an agricultural family of five to be Rs. 450. We have briefly touched on the valuable tea crop that we grow, and described the chief commercial activities of the cities, Calcutta, Chittagong and Dacca. The Chapter concludes with a few observations on the economic aspects of the caste system and the economic effects of social and religious customs, and on the prevailing sentiment of sanctity of debt.

502. Our conclusions and recommendations in the other chapters may be summarised as follows:—

(1) **Chapter III.**—The figures for the Bengal branches, including Calcutta local head office, of the Imperial Bank of India, show that the resources of Bengal are being employed in other parts of India (paragraph 36).

(2) So far as the Bengal circle is concerned, the Imperial Bank of India is predominantly a commercial bank (paragraph 37).

(3) Much of the apathy and unconcern complained of on the part of the Imperial Bank towards joint stock banks and indigenous bankers in the mufassal, would disappear if the agents of its mufassal branches mix socially with their prospective customers more freely than now (paragraph 37).

(4) As to the alleged unfair competition of the Imperial Bank with the joint stock banks, it may be said that the rates of interest allowed on deposits by the Imperial Bank are lower than those granted by other banks and the superior facilities enjoyed by it for the remittance of funds are partly shared with other banks (paragraph 37).

(5) We were unsuccessful in our attempt to investigate the allegation of preference shown to the European constituents by the Imperial Bank. It appears, however, that the proportion of Indian to European deposits is higher than that of Indian to European advances in the Bengal circle (paragraph 38).

(6) The joint stock banks have only the leavings of business of the Imperial Bank and the Exchange Banks, both of which are able to attract deposits at much lower rates than the joint stock banks (paragraph 46).

(7) Discounting of inland bills or hundis was in vogue among the Exchange Banks in Calcutta before the present trade depression. There are more accommodation bills now than in pre-War days, and the Exchange Banks are now trying to avoid this line of business as far as possible (paragraph 50).

(8) So far as the indigenous bankers are concerned, their entire hundi business is practically confined to Calcutta (paragraph 56).

(9) It seems that indigenous banking is unable to hold its own in competition with other credit institutions. In the matter of attraction of deposits joint stock and co-operative banks have proved formidable rivals (paragraph 56).

(10) The money-lender has detailed knowledge about his customers and cannot be easily ousted from the field (paragraph 57).

(11) The security offered does not appear to be the determining factor for the interest. The rate of interest on small loans is generally higher than on big loans, but this is not always the case (paragraph 57).

(12) Co-operative central banks are mostly working satisfactorily. They have fostered the growth of cheque habit in the mufassal by opening current accounts for the general public and encouraged thrift by establishing Savings Banks and Provident Funds (paragraph 64).

(13) The co-operative industrial unions have not been very successful, and, like the artisans' societies, are tending to degenerate into purely financing bodies (paragraph 65).

(14) The general notion that Post Office Savings Bank accounts are kept mainly by salaried middle-class persons does not seem to be correct. From the well-marked seasonal decline in deposits, it will appear that people with agricultural interests are among the depositors in Savings Banks (paragraph 67).

(15) Postal Cash Certificates are more responsive to general monetary conditions than Savings Bank deposits. Cash Certificates compete with other forms of investment and can always attract funds by raising the yield above the figures obtainable elsewhere (paragraph 68).

(16) The system of money-orders has proved a great success (paragraph 69).

(17) The average amount of money-orders issued is small, and in Bengal it is smaller than in other parts of India. These do not compete with other forms of remittance (paragraph 69).

(18) The amount issued by the Bengal and Assam Circle is greater than the amount paid by it. Thus there is a transfer of savings from Bengal (paragraph 69).

(19) Remittance business of Government either by supply bills or currency transfers has increased in Bengal at a much faster rate than in the rest of India during the last quinquennium (paragraph 72).

(20) The amounts advanced under the Agriculturists' Loans Act and the Land Improvements Loans Act are quite insignificant in proportion to the agricultural needs. The Government of Bengal apparently think ordinary needs of agriculturists to be beyond their scope and grant loans only in cases of natural calamity (paragraph 73).

(21) Loan offices play an important part in the credit organisation of Bengal. In a broad sense all loan offices are banks as they attract deposits from the public and lend money. In a narrower sense many of them are merely joint stock organisations for lending money, not to trade and industry, but chiefly to landlords and tenants, often for unproductive purposes (paragraphs 74-75).

(22) By far the largest number of loan offices is in the mufassal. There are only a few in Calcutta (paragraph 76).

(23) The opening up of mufassal branches by some of the Calcutta loan offices as also Calcutta branches by some loan offices with mufassal head office, is a most hopeful feature, for much of the weakness of the present credit system in Bengal is due to want of cohesion among the various credit agencies (paragraph 76).

(24) **Chapter IV.**—The average debt of a co-operative family in Bengal has been ascertained from informations furnished by central co-operative banks to be Rs. 147 (paragraph 87).

(25) The co-operative population represents the median agricultural population. The average obtained for co-operators is, therefore, a reasonably accurate estimate of the average for the whole body of agriculturists (paragraph 88).

(26) The per capita unregistered debt is about Rs. 18 compared with the per capita registered debt of Rs. 16, the total coming up to Rs. 34 (paragraph 89).

(27) Hence the average debt of a rural family is Rs. 34×5.14 or Rs. 175, including both agriculturists and non-agriculturists (paragraph 89).

(28) The average debt for agriculturists is lower than that for non-agriculturists. The average debt of agricultural families in Bengal should be below Rs. 175, but not very much below it (paragraph 90).

(29) Again, as outside debts are somewhat under-estimated, the correct average debt for agriculturists must be a little higher than Rs. 147, the average debt of a co-operative family (paragraph 90).

(30) The average debt of an agricultural family may, therefore, be taken as lying between these upper and lower limits and may be put down at Rs. 160. On this basis, the total agricultural debt of the province is roughly 100 crores (paragraph 90).

(31) An examination of the causes of indebtedness shows that litigation and social and religious ceremonies contribute but little to total indebtedness. The agriculturist is as a rule improvident, but the reasons for his improvidence have to be looked for elsewhere than in litigation and festivals (paragraph 97).

(32) The real cause of his improvidence is poverty. Very little surplus is left to the Bengal agriculturist after meeting his bare necessities, and hence he is often compelled to discount his future income on any term to relieve present necessity (paragraph 98).

(33) There is a kind of poverty which, while not amounting to insolvency, nevertheless makes for precarious and uncertain living, and it is this which is the real cause of indebtedness among agriculturists in Bengal (paragraph 99).

(34) His purchasing power has not improved. For, the rise in prices since the outbreak of the War, which reached its maximum in 1920, is more apparent than real (paragraph 100).

(35) The present high rate of interest is not merely the cause of indebtedness; it is also its effect (paragraph 101).

(36) The conditions of borrowing are such that a big share of the income of the agriculturist is eaten up by interest and other charges, making repayment of loans very difficult (paragraph 103).

(37) Agricultural indebtedness in most cases is a mark of distress, whereas in the case of other industries borrowed finance is a normal feature. If the debt of agriculturists had been, as it should be, only another phase of credit, the problem of indebtedness would have been easy of solution (paragraph 104).

(38) There is not much loaning among agriculturists themselves (paragraph 105).

(39) A portion of the agricultural capital is gradually passing into the hands of non-agriculturists, depleting further the already scanty stock of agricultural capital. The effective solution of agricultural indebtedness consists not only in relieving the present burden, but also in augmenting agricultural capital (paragraph 105).

(40) **Chapter V.**—In agriculture, the producer must wait for a period before he can expect the turn-over on his outlay. As he is seldom in affluence, he must needs live on a system of credit until he can market his produce (paragraph 106).

(41) The seasonal and the intermediate credit requirements of the Bengal agriculturist comprise purchase of cattle, implements of cultivation, seeds and manure; hire of labour (if necessary); payment of rent and cess and rates and taxes; and the household expenses (paragraph 107).

(42) He is entirely dependent upon timely rainfall (which is often uncertain) all through the cycle of production and subject to exceptional risks from floods, cyclones and hailstorms (paragraph 108).

(43) His annual outlay on agricultural implements is estimated to be Rs. 3-10 on an average.

The average annual charges for a pair of bullocks is Rs. 12.

The seed-paddy he requires costs him Rs. 13 a year.

The cost of hiring labour in an average holding is estimated at Rs. 40-8.

His charges for rent, cesses, commission and rates are Rs. 25, 12 annas, Re. 1-9 and Re. 1-1, respectively, on an average.

The living expenses of an agricultural family for food, clothing and miscellaneous items are estimated to be Rs. 225, Rs. 35 and Rs. 62-8, respectively.

The total expenditure of an average agricultural family thus comes to Rs. 420 (paragraph 120).

(44) The bulk of the requirement of rice costing Rs. 150 a year has not to be purchased. We have assumed that only Rs. 50 is spent on purchasing rice. The cash requirement of the family would, therefore, be Rs. 320, which has to be met from the sale of the produce. As the processes of agriculture are spread over the year, we have assumed that only half of this, i.e., Rs. 160, has to be borrowed as short-term or intermediate loan. The total requirement for this purpose for the 6 million families is thus estimated to be 96 crores (paragraph 121).

(45) These loans are now supplied by the co-operative societies (4 crores), loan offices (about 2 crores) and the village money-lenders—professional and casual (paragraph 122).

(46) The average amount of loan given by the rural co-operative societies is less than Rs. 100, and if no long-term loans are granted by them, the existing resources of these societies will probably suffice to finance the agriculturists to the full extent of their requirement (Rs. 160) (paragraph 123).

(47) The only way to provide further credit facilities in this respect is the wide extension of the co-operative movement, for, no agency is more beneficial to agricultural credit than these societies (paragraph 124).

(48) The effect of borrowing on the disposal of produce is always detrimental. Even when the creditor is not a trader, the grower, if he is in debt, has to dispose of his produce at a lower price (paragraph 125).

(49) We can make no suggestion for co-ordinating the money-lenders with one another, or with any other credit agency, or for combining the resources of the loan offices with those of the co-operative societies (paragraph 126).

(50) **Chapter VI.**—Classification of credit requirements of agriculturists into short-term, intermediate and long-term should be according to the *period* rather than according to the *purpose* (paragraph 127).

(51) The purpose of a long-term loan is lasting agricultural improvement (paragraph 128).

(52) The first pre-requisite for agricultural improvement is reduction of the heavy burden of accumulated debts (paragraph 128).

(53) Out of the total outstanding money debt of 93 crores in Bengal, about 62 crores (44 crores of mortgage debt and 18 crores of unsecured debt) represent long-term debts (paragraph 129).

(54) The property of the Bengal raiyats is worth 690 crores of rupees. They are, therefore, far from insolvent, even if a liberal allowance is made for intermediaries (paragraph 130).

(55) The second pre-requisite for agricultural improvement is stoppage of waste, due to smallness and fragmentation of holdings, by enlarging and consolidating them (paragraphs 131-132).

(56) Until the methods of large-scale capitalistic farming are adopted and transport conditions are suitably altered, there can be no immediate demand for long-term credit on an extensive scale for costly and elaborate agricultural machinery (paragraph 134).

(57) Five possible existing agencies for providing long-term agricultural credit are—(a) zamindars and other rent receivers, (b) money-lenders, (c) loan offices, (d) Government, and (e) co-operative societies (paragraph 135).

(58) The present conditions are such that the raiyat cannot hope to get long-term funds in any appreciable amount from zamindars and other rent receivers (paragraph 135).

(59) The money-lender is, of course, prepared to finance him to the utmost of his ability, but the rate of interest charged is so high that not much benefit may be expected through this agency (paragraph 136).

(60) The rate of the loan offices is somewhat lower than that of money-lenders, but they charge different rates in the case of different borrowers and do not enquire into the purpose of the loan and are prepared to make advances even for unproductive purposes. Cheap and uncontrolled credit will hardly benefit the raiyat (paragraph 137).

(61) The Land Improvement Loans Act of 1883 has been rendered infructuous by a fundamental defect in the Act itself, viz., that no loans can be advanced by Government under the Act for the redemption of old debts and consolidation of holdings—the two essential pre-requisites for agricultural improvement (paragraph 138).

(62) The existing co-operative societies are quite unsuitable agencies for making long-term advances (paragraph 139).

(63) Thus the existing facilities in Bengal for long-term credit are at once inadequate and unsatisfactory (paragraph 141).

(64) The real problem in Bengal is to set up an organisation through which the risks of agriculture as an enterprise may be so well distributed that long-term capital may flow into it (paragraph 143).

(65) A State-owned and State-managed land mortgage bank will be unsuitable for Bengal. It will not foster the spirit of self-help and self-reliance among the agriculturists (paragraph 144).

(66) A joint stock land mortgage bank providing loans on cheaper terms than those of existing institutions would not be an unmixed blessing for the raiyat (paragraph 145).

(67) In Bengal land mortgage banks of the co-operative type would be suitable, and their success can be assured by grafting them on to the existing co-operative central banks. The real advantage of the co-operative bank is that it avoids the danger of cheap credit by ensuring proper use of the loan (paragraph 146).

(68) In addition to land mortgage credit granted to the present members of the rural societies, separate arrangements should be made for granting long-term credit to persons who are not, nor likely to be, members of such societies (paragraph 147).

(69) There is no valid reason for shirking responsibility for loans on the part of rural societies, whose recommendations can hardly have any value unless they are prepared to be answerable for it (paragraph 148).

(70) A fixed proportion as to the share of the liability of the rural societies need not be laid down; it can only be settled by mutual agreement between them and the financing body (paragraph 149).

(71) There is at present hardly any use for a separate land mortgage bank in Bengal. If the central banks carry on this business, economy and efficiency of management will be secured. Central banks should be required to open up land mortgage departments, the extra share capital required being subscribed partly by affiliated rural credit societies and partly by other limited liability societies to be started for substantial agriculturists and rent receivers. Long-term loans from 5 to 20 years, not exceeding half the value of the land mortgaged, are to be granted by this department (paragraph 156).

(72) To secure a sufficient volume of long-term funds to achieve the purpose, the bulk of the share capital of the central banks, which is not refundable, may be safely employed for land mortgage loans. A moderate proportion of the reserve fund may also be employed for the same purpose. And there is no reason why land mortgage bonds or debentures should not be popular if they are sufficiently safe and adequately remunerative and are brought within easy reach of small investors (paragraphs 157 and 159).

(73) All the world over, land mortgage bonds or debentures carry with them some form of State aid (paragraph 160).

(74) The best form of rendering it will be for the Government to guarantee only the interest of such debentures, subject of course to such control as may be required by them for discharging this responsibility (paragraph 161).

(75) Direct State subsidy, as in England, will not be justifiable as the circumstances here are different (paragraph 162).

(76) It is not possible to recommend more frequent revision of the settlement records (paragraph 163).

(77) Conferring summary powers for foreclosure and sale on co-operative land mortgage banks is theoretically unsound. For, apart from undue rigour to borrowers, they must lead to laxity in scrutinising the security and to carelessness in fixing the amount of the loan (paragraph 164).

(78) The land mortgage bonds should be included in the list of Trustee securities (paragraph 165).

(79) These bonds should be issued only by the Provincial Co-operative Bank and only up to half the value of the land covered by

mortgages, and should not exceed fifteen times the paid-up capital and reserve fund earmarked for the land mortgage department of the central bank concerned. At least two trustees elected by the debenture-holders should be associated with the persons appointed by the State in the administration of the Provincial Bank. The bonds should be for small amounts, say Rs. 50, and fully negotiable. If desired by a lender, bonds should be made out to bearer, with interest coupons attached in the usual way. A sinking fund should be set up for the redemption of bonds, and should be freely utilised in order that bonds may never fall to a discount. Both sale and purchase of bonds at standard rates should be freely undertaken by all co-operative central banks in order that there may be as wide a market for them as possible (paragraph 166).

(80) **Chapter VII.**—In Bengal there is practically no thoroughly organised market for any agricultural produce (except tea, which can hardly be regarded as a purely agricultural product) (paragraph 167).

(81) The existence of a variety of middlemen intervening between the growers and the consumers is one of the chief defects of the present system of marketing (paragraph 173).

(82) In the present state of the organisation of the market, the middlemen are perhaps indispensable to both the grower and the wholesale merchant, not only because they constitute a series of collecting agencies in the outlying rural areas, but also because they have a definite and well regulated arrangement among themselves for providing credit (paragraph 179).

(83) Diversity of weights and measures prevailing in different localities is another defect. This difficulty can be removed by standardizing the weight in all centres (paragraph 173).

(84) The greatest difficulty in marketing, however, lies in the absence of definite standards of quality, which often disorganises the jute market in Calcutta (paragraph 174).

(85) The standards should be made definite by some special legislation on the lines of the American Cotton Standards Act, and any difference arising between the buyers and the sellers should be settled by a statutory arbitration board composed of representatives of both the parties (paragraph 175).

(86) Direct sale to the mills is practically closed to the Indian brokers. The Indian merchants are compelled to sell through European firms of brokers (paragraph 176).

(87) Lack of organised markets in the mufassal operates as a formidable obstacle in the way of the cultivators realising a fair price for their crops (paragraph 180).

(88) The remedy suggested by many witnesses is the establishment of pools and co-operative sale societies, but such societies already established, are not working satisfactorily (paragraph 181).

(89) The establishment of licensed warehouses is a real need for the improvement of the economic position of the agriculturist (paragraph 186).

(90) It is, however, not absolutely necessary that they should be organised only on co-operative lines. There is no special reason why

the establishment of warehouses by the agency of men qualified by training and experience to manage them should not be encouraged. In fact, the provision for credit and storing facilities are two separate functions which can very well be discharged by different agencies (paragraph 186).

(91) The establishment of warehouses should be undertaken, in the present condition of Bengal, preferably by private enterprise. An enabling statute may be passed for the purpose on the lines of the United States Warehouse Act, adapting the provisions of the latter to the circumstances of each trade and locality in Bengal. We do not approve of the restrictions contained in the American Act, which confine the grant of license to "persons" connoting a "co-operation or partnership of two or more persons having a joint or common interest" (section 2). The privilege under a similar Act in this province should not be denied to any individual who intends to start warehouses on a proprietary basis; otherwise the chance of success for the measure will be seriously jeopardised (paragraph 186).

(92) A scheme for training, examining, certifying and licensing measurers and graders should be formulated by Government and brought into operation as soon as the Act is passed (paragraph 188).

(93) The initial difficulty of establishing licensed warehouses will be minimised if the existing *araddars* be prepared to make the necessary alterations to their existing warehouses and convert them into licensed warehouses (paragraph 187).

(94) In places where no private enterprises will be forthcoming, licensed warehouses will have to be formed on a co-operative basis, the capital being raised by shares subscribed by the producers, and by loans from co-operative financing agencies (paragraph 187).

(95) They should not be mixed up with the sale and supply societies, which should develop on independent lines (paragraph 187).

(96) It is necessary to legislate for the better organisation of markets. The establishment of organised jute markets in Bengal, on the lines of the cotton markets in Berar, under a special enactment will confer a much-needed benefit on the cultivator (paragraph 189).

(97) The importance of jute as a commercial product and the periodical fluctuations of its price at different times of the year point to the need of setting up a Futures market, facilitating hedging operations so as to impart a steady tone to the movements of the price of the fibre. A properly organised Futures market should be established by legislation (paragraph 190).

(98) The East India Jute Association, as it is constituted at present, does not satisfy the essentials of such a market, and the representation of agricultural interest in it is very remote (paragraph 190).

(99) At present the inter-district and inter-provincial trades of Bengal are practically financed by the traders themselves who are mostly Indians. Practically no facilities are available from local banks in the mufassal, except in places where the latter choose to make advances against railway receipts (paragraph 191).

(100) The establishment of an organised market in Calcutta with an adequate number of licensed warehouses is necessary to provide to the Indian merchants proper storing and financial facilities which are at present insufficient (paragraph 194).

(101) **Chapter VIII.**—Existing credit facilities for internal trade of the province are very limited. Negotiable instruments are seldom used. Accommodation required by wholesale dealers of Calcutta is generally obtained by borrowing on hundis, and these merchants also grant credit to their clients. In rare cases, when there are convenient banking institutions in the locality, the bill of lading is used as security for discounting the hundi drawn by a merchant on his Calcutta principal. All other transactions in the internal trade are on cash basis (paragraph 202).

(102) For satisfactory carrying on of the internal trade of the province extensive credit facilities are required under the following categories:—

(i) For goods stocked either in Calcutta or in mufassal before sale or despatch: Establishment of licensed warehouses is the best way to secure credit.

(ii) For goods despatched from mufassal to Calcutta during transit: Accommodation can be obtained only if there are adequate banking facilities in the mufassal centres.

(iii) For goods sold on credit: The best arrangement would be the introduction of trade acceptances (discussed in Chapter X). It will be a great improvement if in commercial debts and in transactions between wholesale and retail merchants the practice of drawing bills to be accepted by the debtor grows up (paragraph 203).

(103) Many incidental modifications in the Indian Negotiable Instruments Act, such as the reduction of the present stamp duty and improvement in the negotiability of clean bills, will be necessary (paragraph 203).

(104) Provision of credit facilities for financing an individual to take up a definite occupation does not appear to be feasible in the present economic and educational state of the country (paragraph 204).

(105) If credit is necessary to provide a man with the implements for work, it is equally so to provide him with food while he is waiting to earn, especially in consideration of the fact that the income of the majority of the population of the province is intermittent (paragraph 205).

(106) For goods of slow consumption and high price, sale on credit is the only means by which the ordinary purchaser can buy. In Calcutta, though not in the mufassal, there is a vast scope for developing the system of hire-purchase or the instalment payment and particularly in offering to middle-class population facilities for acquiring houses and other tangible assets (paragraph 205).

(107) **Chapter IX.**—The existing financial facilities enjoyed by tea gardens appear to be sufficient (paragraph 214).

(108) It is not understood why serious attempts are not made for building substantial reserves, seeing that high dividends are paid by such concerns. If the dividends be limited to, say, 15 per cent. for a few years, and the rest of the profits carried to the reserve, most of the gardens will be able to accumulate sufficient funds for meeting their annual recurring expenses from this fund. Borrowing will then be unnecessary and the interest on loans saved. The result will be larger dividends in future (paragraph 214).

(109) Bengal contains a large variety of middle-sized industries, mostly in and round Calcutta. Many of them are large enough to be

brought within the category of a factory as defined in the Factories Act of 1922 (paragraph 215).

(110) Industrial establishments, whether joint-stock companies or owned by individual proprietors or partnerships, have to depend in many cases on borrowed funds. The initial capital is almost always exhausted in setting up the factory with the necessary equipment, and loans have to be taken for meeting the deficiency in working funds. These loans are obtained with great difficulty by the Indian industrial concerns, and on terms which seriously handicap them in carrying through their operations. Sufficient credit facilities are at present not available from banks (paragraph 216).

(111) The loans so far granted to them by the Imperial Bank are far from being commensurate with their requirements in regard to both the amount and the period of the advances (paragraph 216).

(112) The industrial concerns have to depend largely on the accommodation provided by the indigenous bankers and money-lenders usually in the form of advances against hundis drawn by the owners in their personal capacity (paragraph 216).

(113) On account of the absence of suitable financing agencies, industrial concerns in Bengal are not flourishing. It is imperative that some method should be devised to ensure the stability and development of such industries (paragraph 217).

(114) The existing joint stock banks, though distinctly commercial in character, render some assistance to the industries by financing the imports of materials used in manufacture. Such assistance should be given more freely. The joint stock banks can and should take a greater advantage of this legitimate channel of investing their funds and thus render more valuable assistance to the industrialists (paragraph 218).

(115) The task of valuation of the materials and stock of finished goods, against which advances are sought, should be taken up by some reliable agency, and suitable provision should be made to insure them against incidental loss (paragraph 218).

(116) It is essential that a special type of industrial banks should be organised for systematic and regular financing of middle-sized and large industries. Their success, however, will depend largely on the financial assistance they may obtain at the hands of Government either direct or by way of a guarantee of a minimum dividend or the interest on the debentures (paragraph 219).

(117) Until such banks are established, some measure of direct State assistance is necessary for giving immediate relief to the struggling industries. A State Aid to Industries Act should be passed in this province without any further delay, similar to the Act passed in Madras and Bihar and Orissa, with modifications on more liberal lines (paragraph 220).

(118) Although such an Act may not find a permanent solution of the general problem of industrial finance, it may help the growth and development of particular industries (paragraph 220).

(119) The problems faced by the cottage industries relate not only to their finance, but also to the marketing of their output. The salvation of such industries lies in co-operation (paragraph 221).

(120) The societies should be organised on an extensive scale, a certain number of primary societies being combined into central

financing unions, and the latter federated into the Provincial Co-operative Bank for financing, and into another provincial organisation in Calcutta for wholesale purchase and supply of materials and for collection and sale of finished articles (paragraph 221).

(121) The Department of Industries should, with greater earnestness, address itself to the task of improving the technical skill and methods of production of the artisans, and the movement of the co-operative organisation should be encouraged by closer co-ordination between that department and the Co-operative Department (paragraph 221).

(122) Government should undertake greater financial responsibilities to foster the movement, and we endorse the recommendations made on their behalf at the conference of the Agricultural, Industries and Co-operative Departments held on the 12th July 1922. They are applicable with equal force to the present conditions (paragraph 222).

(123) The cottage industries subsidiary to agriculture do not give the agriculturists full employment for the whole year. In some cases the traditional subsidiary occupations have been lost by the severe competition of cheap articles produced by large factories both in India and abroad (paragraph 223).

(124) The subsidiary occupations carried on at present on a modest scale do not require much outside financing (paragraph 224).

(125) **Chapter X.**—The primary requirement for the expansion of banking organisation in the country is a well-organised money market with a central bank at its head to control credit as well as the currency policy (paragraph 225).

(126) There has been as yet no effective control of credit in India by any authority (paragraph 225).

(127) The defects of the existing system are obvious and the remedy lies in the development of credit instruments and the establishment of a central bank which will foster the growth of credit organisations and bring about greater cohesion among the component parts of the money market of the country (paragraph 225).

(128) If preference is given by the banks to Bills of Exchange in the shape of Trade Acceptances in matters of discount, the practice of drawing bills will soon develop to the immense benefit of all parties concerned (paragraph 230).

(129) It is not desirable to encourage the use of pro-notes in trade. The pro-note does not offer a certainty that the proceeds will be actually used for productive purposes and commercial operations (paragraph 231).

(130) The experiment of establishing public warehouses (preferably by joint stock companies) in important mufassal centres under strict Government control, is well worth trying, although its success will depend mainly on private initiative (paragraph 233).

(131) The existing scale of stamp duty on Bills of Exchange, including hundis, is high. It is a well-known fact that owing to the high stamp duty on the hundis the parties avoid it by taking recourse to a Purja, which is not negotiable and cannot be discounted. Total abolition or even a substantial reduction (say, to 3 pies per Rs. 100) of the existing stamp duty will certainly popularise these instruments (paragraph 235).

(132) A distinction should be made between bills payable within a year of issue or sight and after that period. The latter kind of bills are really accommodation papers and, as such, should be excluded from the benefit of reduced stamp duty. Bills and hundis drawn in the province are, however, mostly for periods less than a year. The reduction of the stamp duty, as suggested, is therefore expected to give an impetus to the practice of drawing bills and thus foster the growth of banking habit (paragraph 235).

(133) A standard form may be introduced for the bearer hundi which would always retain its bearer character. No one should, however, be compelled to use such an instrument unless he wanted to do so. No standard forms should be prescribed for hundis payable to order. Most of the hundis in the province are of the latter category. There will thus be no unnecessary interference with the existing system (paragraph 238).

(134) The consensus of opinion is that the system of note-cutting is an advantage, and, till the banking organisation has expanded, the facilities to obtain refunds of the lost half notes should be reintroduced (paragraph 239).

(135) Arrangements should be made for transferring Savings Bank deposits by letters of credit (paragraph 239).

(136) Every effort should be made to further develop the system of remittance through indigenous bankers, who as well as the loan offices should be linked with the money market in Calcutta. The cost of remittance is then sure to come down (paragraph 239).

(137) **Chapter XI.**—Since the enactment of the Co-operative Societies Act in 1912, the progress of the movement has been remarkably fast (paragraph 240).

(138) On the 30th June 1929, there were 16,889 agricultural credit societies with a membership of 407,552 and a working capital of Rs. 4,21,19,119. In spite of its magnitude the movement has reached only a very small proportion of the rural population. Societies have been established in only one out of five villages in the province, and the proportion of agriculturist families benefited is only about one in fifteen (paragraph 241).

(139) The co-operative movement has done a great deal to encourage thrift. Out of the total working capital of 421 lakhs, 40 lakhs represent the share capital, 16½ lakhs the deposits of members, while the reserve fund exceeds 65½ lakhs. All these sums of money may be considered to have been saved by the members (paragraph 241).

(140) The normal societies are C class and number 10,177 out of 13,442 (paragraph 242).

(141) The members of co-operative societies have taken advantage of the principles of co-operation to improve their economic condition in directions other than that of credit (paragraph 243).

(142) But the greatest benefit that this movement has conferred on them is the inculcation of the virtue of thrift (paragraph 244).

(143) It has brought the benefit of life insurance within easy reach of the rural population (paragraph 244).

(144) In every locality, where co-operative societies have been established, the rates of interest charged by the local money-lenders have come down (paragraph 245).

(145) The movement has spread towards directions other than credit, and four classes of non-credit societies have been organised—(i) the Agricultural Purchase and Sale Societies, (ii) Irrigation Societies, (iii) Production and Sale Societies, and (iv) Agricultural Associations (paragraph 246).

(146) Since 1924, a serious attempt has been made to give the jute cultivator a fair share of the value of his produce by the organisation of the jute sale societies. We consider that the ideal of these societies is most commendable, but they do not appear to have been worked on the right lines in the past. A careful enquiry by experts must be made without any further delay before the department decides to continue or further extend the movement. They have vast possibilities if run on proper lines (paragraph 247).

(147) It is doubtful whether there is any necessity for forming the societies called "Agricultural Associations" as separate institutions. Their duties could be performed quite as well and more economically by the credit societies themselves or by the sale and supply societies (paragraph 251).

(148) The urban banks have been able to gain the confidence of the public and to attract sufficient local capital. These societies appear to be run on good business lines. They have been able to reduce their lending rate to 6 per cent. (paragraph 252).

(149) The societies organised among the sweepers employed in the municipalities, deserve special mention. Their progress has been remarkable and in almost every case the members have been freed of the debts they owed to private money-lenders (paragraph 252).

(150) The town banks, composed of the residents of small towns and comprising professional men, traders as well as other classes, of urban people of limited means, cater for the needs of the middle-class people and are generally well managed and successful (paragraph 253).

(151) Although some of the town banks finance the small traders to a certain extent, there are no separate organisations for financing small tradesmen such as *aratdars*, shopkeepers, *beparis*, *farias* and pedlars. Sufficient credit facilities should be provided for them by the organisation of traders' co-operative banks (paragraph 253).

(152) Non-agricultural purchase and sale societies or co-operative stores have not generally proved successful. The management in many cases is inefficient and in some cases perhaps not quite honest. The working of institutions like these ought to be in the hands of professional tradesmen and not amateurs (paragraph 255).

(153) The artisan societies are not very successful as yet, the principal reason being the difficulty in marketing the produce (paragraph 256).

(154) The central banks, which are federal organisations to finance primary societies, have secured the confidence of the public, as is indicated by the fact that they have raised deposits to the extent of over 226 lakhs out of the total working capital of 392 lakhs (paragraph 258).

(155) We examined the working of several of these important institutions and found them all working on sound lines and in a perfectly businesslike manner. These central banks can be entrusted with

other responsible work such as the management of land mortgage banks (paragraph 258).

(156) The Provincial Bank is the apex bank of co-operative organisation. During the last five years its working capital has risen from Rs. 61,20,085 to Rs. 1,71,90,645. We do not approve of the inclusion of primary societies as members of the Provincial Bank unless they have no local financing bank to which they can be conveniently affiliated. A primary society should never be affiliated to more than one financing institution, and if already a member of a central bank, should not be admitted as a member of the Provincial Bank also (paragraph 261).

(157) This movement is beset with the following difficulties:—

- (i) The co-operative societies deal mainly with the poorest class of people, the majority of whom are illiterate (paragraph 262).
- (ii) Conservative nature of the people of this country, which makes them look upon every innovation with suspicion (paragraph 262).
- (iii) Grinding poverty which leads to apathy (paragraph 262).
- (iv) The members of rural societies do not often possess the necessary knowledge of the principles of co-operation. Want of education is at its root (paragraph 263).

(158) The authorities who appoint inspectors and supervisors should select these officers with the greatest care and see that they possess, together with the requisite knowledge, that amount of patience and tact which is required for teaching the ignorant and illiterate villagers in economic principles of co-operation (paragraph 263).

(159) Whatever may be true of the average villager, it cannot be denied that there are in every village a few agriculturists who are thriftless. It is doubtful whether the spread of education alone will effect any improvement in this respect. We can only hope that wide extension of the co-operative movement will make the people understand the necessity of thrift and reduce indebtedness (paragraph 264).

(160) Whether the recent amendments of the Bengal Tenancy Act have improved the credit of the raiyat, it is yet too early to say. But the smallness and fragmentation of the holdings will always be in the way of his obtaining credit that the value of the property would otherwise entitle him to (paragraph 265).

(161) Care should be taken to form societies composed of members of the same status and possessing common interests, otherwise difficulties may arise (paragraph 268).

(162) The movement has also to fight against the counter-attraction of facile credit obtainable from the money-lenders (paragraph 266).

(163) Joint and unlimited liability, said to be another handicap, is absolutely essential for agricultural credit. Spread of education and teaching of the general principles of co-operation can alone dispel the misapprehension (paragraph 267).

(164) The greatest defect, however, is the paucity of inspecting and auditing officers, and for this the Government of Bengal is responsible.

The movement has not received the same amount of assistance from this Government as from other Governments in India. The progress already made and present prosperous conditions must be attributed to the devoted care and labour of the non-official workers and the central banks (paragraph 269).

(165) The Bengal Government should strengthen the inspecting and auditing staff adequately without any further delay (paragraph 269).

(166) The time has come when a comprehensive scheme for the thorough training of all inspectors, auditors and supervisors as well as non-official workers in every branch of their duties should be prepared and carried out (paragraph 270).

(167) The preparation and maintenance of statements of properties and debts of the members of the societies with unlimited liability is sadly neglected in many places. The importance of this work should be impressed on the panchayat of every society by the central banks and the inspectors, auditors and supervisors, and they should examine and test those statements every time they visit the society and make necessary corrections (paragraph 271).

(168) When the central bank is satisfied that a member of the panchayat has defaulted and the panchayat refused, when called upon, to initiate a "dispute" case against him, the bank should be empowered to do so, on behalf of the society. No change of law is required if the central bank is allowed to take a power of attorney from the society at the time of application, and in case of affiliated societies, before a new loan is granted, empowering it to institute and conduct dispute cases against defaulting members of the society on its behalf (paragraph 273).

(169) Supervisors should note at inspections whether the members of the panchayat have taken disproportionately large loans, and if so, the central banks should consider the matter at the time of granting new loans (paragraph 274).

(170) To prevent delay in getting loans in primary societies the only remedy is to allow the society cash credit in the central bank against which it can draw in case of emergency. The Registrar has advised the grant of such cash credits in case of A or B class societies only. The central banks should grant cash credits much more freely to every society that they consider to be deserving of the privilege (paragraph 275).

(171) Unless the area of its operation is too large or the means of communication exceptionally bad, no central bank should be split up before the number of its affiliated societies reaches 300, and even then no new central bank should be formed until a sufficient number of men of intelligence and influence and possessing knowledge of co-operation can be found in the locality to form its directorate (paragraph 276).

(172) The assistance given by the department to industrial societies is inadequate (paragraph 277).

(173) State aid is not necessary in the present stage of development of the agricultural or urban credit societies, but it is essential in the case of all new forms of co-operation, provided that they cannot develop without such State aid and that the aid is withdrawn as soon as they can stand on their own legs (paragraph 277).

(174) In the case of artisans' societies the inspectorate should be considerably strengthened and selection should be made from men trained in the Department of Industries (paragraph 277).

(175) The purchase and sale societies also require considerable amount of State aid in the experimental stage of their development. They are bound to suffer losses in the first years, if they have to pay the rate of interest that the Provincial Bank charges (paragraph 278).

(176) For such societies, specially the jute sale societies, liberal State loans should be given at the lowest possible rate of interest until they can accumulate sufficient reserves. For their block expenses on buildings and plants also liberal State grants or at least State loans without interest should be given. In case of jute sale societies State aid should not be given unless on the recommendation of the committee of experts already suggested (paragraph 278).

(177) All new and experimental departures in the field of co-operation will be dependent for their success, in the first instance, on State aid (paragraph 278).

(178) The initial expenses incurred by purchase and sale societies should be paid off by Government, and the Registrar's Development Fund strengthened to such an extent that these experiments may be continued on a steadily increasing scale for a sufficient number of years (paragraph 278).

(179) The co-operative stores in urban areas are almost all unsuccessful. They should be liquidated and no new stores formed either in urban or in rural areas unless there is clear evidence of loyalty and co-operative spirit among the members (paragraph 279).

(180) All primary societies, agricultural as well as non-agricultural, should be encouraged, either individually or through the financing institutions, to make co-operative indents for the requirements of their members and supply them on cash or credit according to the circumstances of the members (paragraph 279).

(181) We cannot recommend loans to depositors or premature withdrawals as a matter of right in the case of institutions which finance primary societies (paragraph 280).

(182) Within the limitation that the co-operative banks cannot grant loans to non-members, there is no other legal bar to any general banking business being taken up by them, and the Provincial Bank, the central and the urban banks are institutions which can undoubtedly make reasonable claim to do banking business (paragraph 281).

(183) Their suitability as a general banking organisation cannot be seriously questioned (paragraph 282).

(184) Opening of current deposit accounts and introduction of the system of payment by cheques, by some of those banks, have given an impetus to the growth of banking habit (paragraph 283).

(185) Movement of money is one of the most important functions of a bank, and it should be facilitated in all possible ways. Though discounting of bills of persons other than members is not permitted by the law, bills may be accepted without any prejudice for purposes of collection of money due, as this method only helps in remittance of funds (paragraph 283).

(186) The main function of a central bank is the financing of primary societies, and at the present stage of the co-operative movement, its attention or any portion of its resources should not be diverted to other activities for the sake of increasing the profits. In other words, the claims of the Directors of the central banks to undertake commercial banking cannot be supported (paragraph 285).

(187) Many of the objections are inapplicable in the case of the town banks, which generally cater for the needs of the middle-class people including traders and industrialists of the province (paragraph 286).

(188) A network of co-operative banks of the urban type should be organised in all bazars, *bandars*, marts and other important trade centres for not only financing the small traders and industrialists but also for providing facilities for remittance and collection of bills (paragraph 287).

(189) Cash credit, which is the most commercial form for providing financial accommodation, should be extensively employed (paragraph 288).

(190) Town banks can also help their members by discounting hundis, promissory notes or the negotiable instruments and the commercial bills (paragraph 289).

(191) Advancing loans against goods in stock will not be within the resources of such town banks (paragraph 290).

(192) These should be much more freely assisted by the Provincial Bank than they are at present. The Imperial Bank should also be prepared to grant concessions by way of cash credit much more freely than at present and rediscount their bills (paragraph 291).

(193) If, as has been suggested, all deposits be taken by the apex bank, there is likely to be a falling off of the deposits, for, no Provincial Bank will be able to gain the same amount of the confidence of the people of the mufassal towns and villages, nor will it be easily accessible to them (paragraph 292).

(194) The present system of lending by the Provincial Bank to the central banks and by the latter to the primary societies, is the best possible arrangement (paragraph 293).

(195) The suggestion that the central banks and financing unions might be branches of the Provincial Bank is not approved (paragraph 294).

(196) Free inter-lending between different co-operative banks, whether in the same district or not, is not recommended (paragraph 295).

(197) The recommendation of the Royal Commission on Agriculture in paragraph 379 of their Report, as regards certain concessions to the co-operative movement, are endorsed (paragraph 296).

(198) Interest derived from the Government securities, held as an investment of the reserve fund, should be exempt from income tax. The income derived from all investments within the movement should not be included in the total income for determining the appropriate assessable rate for income tax or super tax, for all this income is not really proper. We are unable to recommend that the Government securities held for other reasons, e.g., for temporary employment of

funds during the slack season, should be exempt from income tax (paragraph 297).

(199) Realisation of dues from a defaulting member through the arrear collection department of the Collector, instead of through the civil court as at present, should be permitted (paragraph 298).

(200) As regards deposit of funds of the Court of Wards, municipalities, district and local boards, etc., in co-operative banks, experiments may be made in cases of selected banks (paragraph 299).

(201) The respective spheres of activity of the joint stock banks and the co-operative banks being widely apart, there does not exist at present any scope for a closer relation between them (paragraph 301).

(202) Inter-lending between co-operative banks and loan offices should not be allowed in the present state of their finances (paragraph 302).

(203) Relation of the co-operative banks with the Imperial Bank is now closer and more cordial through the efforts of the Provincial Banks. Facilities granted by the Imperial Bank have been of material assistance to them. These should be more freely extended. The pro-notes of the rural societies should form valuable collateral security (paragraph 303).

(204) **Chapter XII.**—In this province there is no necessity at present for any protective legislation on the lines of the Deccan Agriculturists' Relief Act, the Punjab Land Alienation Act or Chapter VII-A of the Bengal Tenancy Act. On the other hand, restrictions on the free transfer of land by an agricultural tenant, where they exist—as in certain Government estates in the Western Duars, Darjeeling and the Chittagong Hill Tracts—should be removed, so that his credit may not suffer (paragraph 306).

(205) The consensus of informed opinion is that the Usurious Loans Act is inoperative and has failed to give the relief that it was intended to afford (paragraph 308).

(206) Almost all the District Judges of the province ascribe the reluctance on the part of the courts in giving relief under the Act to the baffling effect of the decisions of the High Court and the Privy Council (paragraph 309).

(207) But from an examination of these rulings it seems there is a certain amount of confusion in the minds of some of the judicial officers. There is a tendency to apply the principles enunciated in decisions under the Contract Act to cases under the Usurious Loans Act. The principles laid down in one class of cases cannot be applicable to the other, if they conflict with distinct provisions of the respective Acts (paragraph 310).

(208) If the money-lender by his own act piles up compound interest at such a pace as would make the result after a few years oppressive and unconscionable, relief would certainly be justifiable (paragraph 311).

(209) It is quite clear from the Act that the defendant's presence is not necessary and the suits can be decided *ex parte*. The misapprehension in the minds of some judicial officers in this respect can only be dispelled by a clear and explicit provision in the Act (paragraph 312).

(210) The evils of usury are as great and widespread in Bengal as anywhere else in the world (paragraph 318).

(211) It is essential for the enforcement of any regulation against money-lenders that they should be licensed and their names and addresses should be registered (paragraph 320).

(212) We recommend legislation for the registration of professional money-lenders only and not for casual money-lenders (paragraph 320).

(213) This measure will do away with the evils of itinerant money-lenders (paragraph 320).

(214) Although other countries have fixed maximum rates of interest for all cases, it would not be right in the present condition of our country to do so in the case of unsecured loans. The Usurious Loans Act might be left to check abuses in case of these loans (paragraph 321).

(215) Secured loans stand on a different footing, and in case of such loans the maximum rates should be fixed according to the special circumstances of each province and, if necessary, for different parts of the same province, and of the different classes of borrowers such as agriculturists and non-agriculturists (paragraph 321).

(216) Legislation limiting the total accrual of interest to the amount of the principal originally lent is recommended (paragraph 322).

(217) If the maximum rate of interest as well as the maximum amount of interest are fixed, reduction of the existing periods of limitation will not be necessary (paragraph 323).

(218) The cumulative effect of compound interest is not easily realised. The time has come when legislative measures should be adopted to save the borrowers from the consequences of compound interest. Provisions similar to those of section 7 of the English Money-lenders' Act of 1927 should be enacted in India (paragraph 324).

(219) To give protection to the borrowers who have taken unsecured loans, it should be provided, on the lines of section 10 of the English Money-lenders' Act, that any rate in excess of 48 per cent. shall be presumed by the courts to be "excessive" within the meaning of the Usurious Loans Act, though a lower rate also may be found to be so (paragraph 325).

(220) To stop the evil of alluring advertisements by money-lenders, provisions similar to those under section 5 of the English Money-lenders' Act should be enacted (paragraph 326).

(221) The money-lenders should be bound, on reasonable demand being made and on payment of a small fee, to supply the debtors with all informations as to his debt. A certified copy of the bond or of the account of the debtor in the creditor's books must also be supplied, when similarly demanded, on payment of a fee. The legislation should closely conform to the terms of section 8 of the English Money-lenders' Act (paragraph 327).

(222) Such impositions, as *gadi salami*, should be stopped on the lines of section 12 of the said Act (paragraph 328).

(223) False, deceptive or misleading representation by a money-lender should be made punishable, as in section 4 of the English Act (paragraph 329).

(224) Habitual usury should be made a criminal offence (paragraph 330).

(225) Possible evasion of the proposed legislation should not deter the legislature from enacting a just and necessary measure. Such an Act should tend to educate and strengthen public opinion (paragraph 331).

(226) Lowering the limit of debt so as to provide the benefit of insolvency to the poorer agriculturist will not be of much help to them, as they are unable to repay a debt of even Rs. 100 or Rs. 200. This will convert them into landless labourers (paragraph 333).

(227) We have no useful suggestion to make for any suitable measure to promote a better record of rights, so as to protect tenant's rights (paragraph 334).

(228) If there be no insuperable objection, the rule of the Original Side of the High Court that all commercial causes must come on the List after six months of the admission of the plaint, should be extended to all courts of original jurisdiction throughout the province and be made applicable to all suits for the recovery of loans secured and unsecured (paragraph 336).

(229) We are not inclined to recommend any revision of law of civil procedure for the benefit of the money-lenders (paragraph 338).

(230) The system of equitable mortgages may be extended to Dacca, Narayanganj and Chittagong, provided that every such mortgage is made by the execution of a document which must be registered (paragraph 339).

(231) **Chapter XIII.**—The chapter opens with an account of indigenous banking and money-lending in India from the Vedic period up to the nineteenth century (paragraphs 346-370).

(232) The fact that the majority of the indigenous bankers combine banking with some form of trade even to-day confirms the opinion that such combination is not unsound, and is a special form of banking evolution suitable to the conditions of the country (paragraph 372).

(233) The number of such bankers is decreasing. It is estimated that business worth 22 crores of rupees out of 46 crores now remains in the hands of the indigenous bankers (paragraph 375).

(234) The receiving of deposits—an important function of the indigenous bankers—has been steadily dwindling, due, it is said, to competition of Indian and foreign joint stock banks, the co-operative banks and loan offices and the favourable terms of Government loans (paragraph 377).

(235) Banking traders usually do not keep any surplus cash balance over and above what is required in their business. Those bankers who do not trade have considerable surplus during the slack season, which flows to the Provincial capital for investment in Treasury Bills, etc. (paragraph 378).

(236) It cannot be ascertained what proportion of the loans given by them is used for agriculture, industry, trade, or other purposes.

They do not discriminate as to the purpose for which the loan is taken. They only satisfy themselves as to the sufficiency of the security or solvency of the borrower (paragraph 379).

(237) The part played by them in the financing of agriculture is not very important (paragraph 380).

(238) Nor is financing of industries undertaken by them to any appreciable extent in the mufassal, though in Calcutta and its suburbs they play a more important part in financing many middle and large sized industrial institutions (paragraph 381).

(239) The financing of the internal trade constitutes the most important function of these bankers (paragraph 382).

(240) The commonest form of credit instrument employed throughout the province by indigenous bankers is hundi. There are other credit instruments and also some credit devices in vogue in important trade centres (paragraph 384).

(241) Their business is managed very economically. In Calcutta, however, it is reported that 25 per cent. of the profits of a normal year may roughly be regarded as the outlay on establishment (paragraph 390).

(242) Profits are, however, not large, as allowance has to be made for bad debts, which is often considerable when trade is dull. There are also litigation expenses. Net profits vary from 5 per cent. to 20 per cent. per annum (paragraph 391).

(243) The indigenous bankers have earned a reputation for integrity in their dealings with their clientele. They are approachable without any formality at any hour of the day and even at night. It is on account of the mutual confidence between the bankers and their clients that business is carried on so informally (paragraph 392).

(244) The indigenous bankers have no dealings whatever with co-operative banks or loan offices (paragraph 394).

(245) Among these bankers themselves, the relation is cordial (paragraph 395).

(246) To interfere with the court's discretion in the matter of awards of interest or allowing repayments by instalments in suits instituted by the indigenous bankers would not be proper (paragraph 396).

(247) The privileges of the Banker's Books Evidence Act, 1891, should not be extended to the indigenous bankers unless they satisfy the authorities that their books are properly maintained (paragraph 396).

(248) Provisions of section 59 of the Transfer of Property Act regarding equitable mortgages should be extended to important trading centres such as Dacca and Narayanganj, provided the interests of second and subsequent mortgages are secured by the registration of the equitable mortgages (paragraph 396).

(249) We approve of the proposals made by some indigenous bankers that the Imperial Bank should allow cash credits to indigenous bankers against promissory notes, and should agree to discount or rediscount trade bills of all indigenous bankers, but we are unable to make any recommendations relating thereto, as it rests with the Imperial Bank to extend its facilities for the benefit of the indigenous

bankers under such conditions as appear to them to be necessary (paragraph 396).

(250) Reduction of the stamp duties on hundis is desirable (paragraph 396).

(251) Emergency currency should be issued to the extent of 6 crores when the bank rate rises to 6 per cent. and 6 crores more when the bank rate rises to 7 per cent. (paragraph 396).

(252) For the purpose of expansion and development of the business of the indigenous bankers and for linking them up with the organised money market it is necessary to license and register them. To avoid opposition, legislation may at first provide for voluntary registration only, and provision may be made in the Act for the bestowal, on the registered indigenous bankers, of special privileges, such as the benefit of the Banker's Books Evidence Act and recognition as "Banker" within the meaning of the Negotiable Instruments Act and the Indian Contract Act (paragraph 398).

(253) The publicity of their accounts will increase popularity, induce confidence and help the expansion of their business, but there will be a strong opposition to any proposal in this behalf. Hence to disarm opposition the provision for submission of periodical balance sheets should be made applicable only to the voluntarily registered indigenous bankers (paragraph 399).

(254) The registered bankers should issue Pass Books to their depositors and grant receipts in proper forms acknowledging repayments, either in full or in part, of the loan (paragraph 400).

(255) It is not feasible to devise measures to make the position of the indigenous bankers approximate more and more to that of the London bill brokers until bill markets are developed in the various trade centres. The Banker's Bank should make a systematic attempt to foster bill business in the country (paragraph 401).

(256) **Chapter XIV.**—Co-operative societies and loan offices have not yet been able to oust the money-lenders to any appreciable extent from the fields of their activity (paragraph 402).

(257) Professional money-lenders form about 90 per cent. of the persons (50,110) shown under the heading "Bank managers, money-lenders, etc." in the Census Report of 1921 (paragraph 403).

(258) The number of money-lenders is greater and rates of interest charged by them are higher in the richer districts of Eastern Bengal (paragraph 403).

(259) Professional money-lenders are either resident or itinerant. The former are called mahajans and the latter, who are chiefly Pathans from the North-Western Frontier, are locally known as *Kabulis*, *Punjabis* or *Peshwaris*. Besides there are casual money-lenders, i.e., people who follow other occupations, but occasionally lend their surplus money for investment. These comprise landlords, pensioners, shopkeepers, widows, professional men, and employers and sardars of labour (paragraph 404).

(260) Most of the mahajans are Bengalis. A good many Marwaris and residents of other parts of India have in recent years taken up the profession with conspicuous success. The mahajans are chiefly Hindus, but a very few Muhammadan money-lenders are also found in rural areas (paragraph 405).

(261) All classes of people are comprised in the clientele of the mahajans. The principal borrowers of the itinerant money-lenders are the employees in mills and mines and labourers. Loans are given by the money-lenders for any and every purpose (paragraph 406).

(262) Taking the province as a whole, about 80 per cent. of the loans advanced by the money-lenders is unsecured and 20 per cent. secured, but the value of the secured loans is almost equal to that of the unsecured (paragraph 412).

(263) The money-lenders' rates of interest range from $5\frac{1}{2}$ per cent. to 300 per cent. The rates vary with the nature of the security and the amount of the loans and depend to some extent on the supply of loanable capital (paragraph 413).

(264) Most of the loans bear compound interest and the usual rests are after 6 or 12 months. In some cases, the loans are compounded after 3 months (paragraph 413).

(265) Usury is widely prevalent in every district in the province. This is due to various causes such as the low credit position of the borrower, the absence of suitable financing agencies, limited resources of the money-lenders, insufficiency of accommodation provided by co-operative societies and loan offices, and the predominance of tradition and custom among the borrowers, particularly in backward places (paragraph 414).

(266) Indian public opinion is not very strong against the usurious rates of interest charged by money-lenders, and although by reason of usury or harsh treatment, an individual money-lender may be disliked in the locality, there is seldom any expression of public opinion against his conduct (paragraph 418).

(267) The solution of the problem of usury lies in the establishment of suitable credit institutions like co-operative societies, and in adequately increasing the banking resources of the province (paragraph 419).

(268) **Chapter XIV-A.**—The special feature of loan offices is a reflex of certain economic and historical facts in Bengal (paragraph 420).

(269) The Permanent Settlement of 1793 made landed property a more valuable form of investment in Bengal than in other parts of India. It is to finance the zamindars and the superior classes of intermediaries that the necessity was felt for a special class of banking institutions making advances on the mortgage of land. The development here has been along the line of land mortgage banking and the loan offices are the result (paragraph 421).

(270) From 1905-06 the growth of loan offices has maintained on the whole a steadily upward tendency (paragraph 426).

(271) The largest number of loan offices is in Eastern and Northern Bengal, where land is more fertile and there is a greater demand for loans than in other parts of Bengal (paragraph 431).

(272) Other important factors at work have been the number and efficiency of indigenous bankers and money-lenders, as also the example of successful pioneers (paragraph 431).

(273) One peculiarity of the loan offices in Bengal is that their paid-up capital is generally small (paragraph 432).

(274) They have not as a rule attracted deposits out of all proportion to their paid-up capital and reserve fund (paragraph 436).

(275) The percentage of reserve fund to paid-up capital is very low in the case of most of the loan offices of recent origin (paragraph 436).

(276) The functions and problems of loan offices in Calcutta are different in many ways from those in the mufassal. In fact, the loan offices in Bengal do not form a homogeneous body (paragraph 436).

(277) In the case of the majority of the loan offices the main business is to lend money not only to zamindars, but to actual cultivators also. They rarely finance trade or industry (paragraph 438).

(278) No loan office has as yet issued debentures. In addition to their share capital, funds are attracted by deposits only, both for short and long periods (paragraph 438).

(279) The general rates of interest in the case of old loan offices vary from 4 per cent. from short deposits to 8 per cent. for 7 years' deposits. Usually the longest period is 5 years (paragraph 438).

(280) On the whole they follow a cautious policy about investments. It is true that the investments are not liquid, but bad investments have been few, and failure among mufassal loan offices till the end of the War was surprisingly small (paragraph 439).

(281) Though the practising lawyers, who generally manage such institutions, may not have any special knowledge of banking, they possess detailed knowledge about the financial position of the local borrowers. This has been the secret of success of well-established loan offices (paragraph 439).

(282) But the newer loan offices started after the War do not generally follow the cautious policy of the older ones. Owing to the increased competition among such institutions, the greater proportion of loan is now against personal security (paragraph 440).

(283) There is also actual touting for deposits on which very high interests are offered. This results in lending at still higher rates among the more involved cultivators (paragraphs 440-441).

(284) There is a wide misgiving, which is not altogether unwarranted, that these new loan offices will be the first to suffer in times of agricultural distress, specially as they have no reserve fund worth the name to fall back upon (paragraph 442).

(285) Such failure will effect the credit also of the old ones. Too many small loan offices and their rapid growth therefore need regulation (paragraph 443).

(286) The obvious remedy, so far as the existing institutions are concerned, is that they should amalgamate so as to form a few bigger institutions with larger resources and more economical management. But unless they voluntarily do so, it is difficult to suggest any practical means of compelling them to amalgamate (paragraph 445).

(287) To guard against the dangers arising from very small loan companies (i) a minimum subscribed capital of Rs. 50,000 and a minimum paid-up capital of Rs. 25,000 for small banks and loan offices to be started in future should be prescribed (paragraph 446).

(ii) With regard to the existing loan companies having a lower paid-up capital, there should be legislation on the lines of section 4 of the Indian Life Assurance Companies Act (VI of 1912), requiring a deposit of securities with Government so as to make their existing paid-up capital plus Government deposit equal to Rs. 25,000. This will have the effect of compelling amalgamation in certain cases (paragraph 446).

(iii) No bank or loan company should be registered in future with authorised capital exceeding four times its subscribed capital (paragraph 448).

(288) For the protection of the depositors no loan office should be allowed in future to make advances against its own shares, which is now the general practice among loan offices (paragraph 449).

(289) The suggestion that there should be provision for representation of the depositors on the Board of Directors, cannot be accepted (paragraph 450).

(290) Legislative interference to fix a minimum ratio between paid-up capital plus reserve fund and the total deposits is unnecessary having regard to the existing state of things in the loan companies (paragraph 451).

(291) But there should be statutory provision for placing at least 25 per cent. of the profits to the reserve fund till it equals the paid-up share capital (paragraph 452).

(292) Loan offices in the mufassal should be allowed to open Post Office Savings Bank accounts under rule 42 for Savings Bank Public accounts and should have the same facilities with regard to withdrawals as to co-operative societies (paragraph 453).

(293) The maximum holding of Postal Cash Certificates in the case of mufassal loan offices should be raised to Rs. 20,000, but no change should be made with regard to the accrual of interest on such Certificates (paragraph 453).

(294) The allegation that the Imperial Bank of India in its branches advances only a small percentage of the market value of Government securities does not appear to be correct (paragraph 455).

(295) The older and the bigger banks have invested a fair proportion of their funds in Government securities. In view of this no special recommendation seems called for in this behalf (paragraphs 455-456).

(296) The suggestion that no loan office should be allowed to carry on any business other than banking, although theoretically sound, does not seem to be practically feasible (paragraph 457).

(297) But the existing banks should be required to draw separate balance sheets and profit and loss accounts for banking and subsidiary business. With regard to new companies the Memorandum of Association should be closely scrutinised and registration refused for preventing the evil (paragraph 457).

(298) The suggestion that loan offices should not only be restricted to banking but that they should be restricted to commercial banking alone, is not approved. The necessary conditions for the successful working of commercial banks in the mufassal are wanting (paragraph 458).

(299) Legislation prescribing a minimum percentage of the cash in hand and with bankers to the total liabilities will be inadvisable (paragraph 459).

(300) State audit is not recommended. It will engender a false sense of security (paragraph 460).

(301) What is required is greater publicity of the working of the loan offices. The balance sheet should give more details than at

present. Window-dressing should be prevented as much as possible by prescribing a fixed date (to be determined by the majority of the bankers) for the closing of all banks (paragraph 461).

(302) The following concessions are asked for on behalf of the loan offices:—

(a) Free inter-lending with co-operative central and urban banks.

We are unable to make any recommendation which will fetter the discretion of the Registrar of Co-operative Societies in the matter.

(b) Free issue and payment of supply bills in treasuries and sub-treasuries situated at places where there is no branch of the Imperial Bank.

This involves a question of resource and is rightly decided by the Accountant-General according to the demand for cash in different places. We are, therefore, unable to make any recommendation which will interfere with the Accountant-General's discretion.

(c) The documents by which loan offices give loans to agriculturists should be exempted from the payment of stamp duty and registration fee.

There is no particular reason why ordinary profit-making institutions like loan offices should be specially favoured in this respect (paragraph 462).

(303) The large number and the great importance of loan offices in Bengal warrant a special Act for dealing with them in place of the existing Companies Act (paragraph 463).

(304) **Chapter XV.**—It is difficult to give a satisfactory definition of the word "bank." So far as Bengal is concerned, neither cheques nor bills are much in use in the mufassal loan offices and banks, which form the predominant element of the banking organisation in this Presidency (paragraph 464).

(305) For the purpose of regulation, a bank may be defined as a corporation which invites and accept deposits from the public and offers and grants loans to them (paragraph 464).

(306) This definition excludes (i) partnerships carrying on a banking business, (ii) co-operative credit societies and central co-operative banks, and (iii) Post Office Savings Banks, but not the Imperial Bank of India and banking companies incorporated outside India, but our concern is principally with institutions registered under the Indian Companies Act of 1913 for carrying on banking business in this province (paragraph 464).

(307) Regulation of banking companies is necessary as it is a question of protecting not simply the share-holders, but also a much larger body of depositors (paragraph 465).

(308) Regulations that are found to be necessary and feasible in any other province should be extended also to Bengal. A banking company should be required to publish its balance sheet half-yearly instead of only once a year. A full and accurate statement of assets and liabilities operates as an automatic check against irregularities and abuses (paragraph 465).

(309) The suggested measure will not impair the independence of the auditor. On the contrary, it will afford him greater scope for exercising his initiative (paragraph 465).

(310) The hands of the Registrar of Joint Stock Companies should be strengthened, if necessary, to stop abuses and frauds on the part of promoters of banks, a few instances of which have come to our notice. This, however, does not call for any measure peculiar to Bengal (paragraph 465).

(311) One effect of prescribing regulations for the management of banks, both public and private, will be to give them a higher status than other credit institutions. Any other concern should not, therefore, be permitted to describe itself as a bank (paragraph 466).

(312) A distinction has to be made between a bank and a banker. A banker (and its vernacular equivalents such as "shroff" and "mahajan") is often a mere title of courtesy. If, however, he desires to avail himself of the privileges of banks, he should be required to conform to the regulations suggested in Chapter XIII (paragraph 466).

(313) We feel that, wherever possible, banking instruments and other papers and books should be written in Bengali as well as in English. Whether the advantages will outweigh the difficulties involved in the use of bilingual forms, it is for the banks themselves to consider (paragraph 467).

(314) A much larger issue than the mere convenience of customers is involved in popularising Bills of Exchange. Until a regular bill market is developed, close cohesion among the different component parts of the banking organisation brought about by the discounting and rediscounting of bills will be impossible. Hence the hindrances to the issue of bills such as high stamp duty should be removed as far as possible (paragraph 468).

(315) The stamp duty on inland Bills of Exchange for terms not exceeding ninety days, should be entirely abolished, and on those for terms exceeding ninety days but not exceeding one year, should be halved, the present duty being continued for bills for a term of over one year. The present duty on promissory notes should be retained (paragraph 468).

(316) To meet the resulting loss of revenue we would suggest that the Calcutta Stock Exchange be requested to enforce the payment of stamp duty on blank transfers on the English plan of periodic settlements and to declare blank transfers (which are much in vogue in Calcutta) as bad delivery. Without this co-operation, a mere declaration that a blank transfer is void in law will only inflict hardship on innocent purchasers but will be futile in other respects (paragraph 469).

(317) It is desirable to create by law a type of instrument which being originally made payable to bearer should always remain so, even if any endorsement to the contrary be made on it by any one other than the drawer. This legislation should not, however, cover hundis, which should as heretofore be governed by local usage. We do not think that any protection is required in the case of hundis analogous to that provided by crossing in the case of bearer cheques. (paragraph 473).

(318) **Chapter XVI.**—A sure criterion of the economic development of a country is the growth of the investment habit of its people (paragraph 474).

(319) Such growth, however, is dependent on certain fundamental conditions being fulfilled:—

(i) there should be a surplus, i.e., the income of the average unit must be greater than its ordinary expenditure,

(ii) people must be literate, i.e., educated not only to realise the benefit of investing as against hoarding, but also to understand the technicalities of investment,

(iii) safe, profitable and easily realisable investments, both for short and long periods, should be largely available (paragraph 475).

(320) *Postal Cash Certificates*.—No change is necessary either in the existing rules for encashment or in the limit of individual holding (paragraph 478).

(321) The following measures should be adopted for improvement in the working of Postal Savings Banks:—

(a) Use of Pass Books and signatures in vernacular.

(b) Opening of Savings Banks deposits in Branch Post Offices and ensuring prompt repayments of deposits in these offices.

(c) Facilitating deposits by cheques, the amount being credited on collection.

(d) Allowing withdrawals by cheques drawn on the Post Office (this will encourage the cheque habit).

(e) Allowing withdrawals in other Post Offices by withdrawal forms or pay orders or letters of credit.

(f) Allowing joint accounts to be opened and operated by either of the depositors and by the survivor on the death of either (paragraph 479).

(322) *Other Savings Banks* such as those associated with the Imperial Bank and some Exchange and joint stock banks are useful in Calcutta only. They may introduce safe boxes to popularise savings habit and promote thrift (paragraphs 481-482).

(323) *Joint stock banks*.—Branches may be opened in different parts of the city of Calcutta by these banks with suitable working hours to attract small investors (paragraph 485).

(324) *Loan offices*.—In view of the fact that branch banking is not likely to be developed in the province in the near future, it is desirable that these institutions should be improved and consolidated so as to be really useful to trade and industries (paragraph 486).

(325) *Indigenous bankers*.—Their position should be improved and status raised so that they can command public confidence and can tap and mobilise the innumerable small resources for investment which cannot be done by any other agency (paragraph 487).

(326) *Existing facilities for the purchase and sale of gilt-edged securities*.—In Calcutta, different classes of industrial securities, which are now ordinarily dealt with in big lots, should be made available in small lots to the investors with limited means at fair price (paragraph 490).

(327) In the mufassal, important loan offices and indigenous banks may undertake the purchase and sale of securities in Calcutta on behalf of their clients on a commission basis (paragraph 491).

(328) Knowledge and information of the securities' market should be diffused through newspapers and periodicals (paragraph 491).

(329) *Investment trusts* may be organised in this country with an honest and experienced Board of Directors capable of following the activities of the securities' markets of the world. These Trusts may take up underwriting business, find capital for really good concerns and help the existing industries in various ways (paragraph 492).

(330) *Gold Cash Certificates*.—The issue of gold cash certificates similar to Postal Cash Certificates redeemable at maturity in legal tender money or in gold at the option of the holder may foster investment habit in rural areas (paragraph 493).

(331) *Provincial Savings Associations*.—Small deposits may be collected from the small investors in the mufassal through post offices or any other existing local agencies and handed over to an organisation under rigid Government control formed on the model of non-official institutions called Provincial Savings Associations found in Japan, Sweden and Denmark. The management will be in the hands of a Statutory Board, which will handle such collections for investment in safe securities yielding a higher return than the Postal Savings Bank (paragraph 494).

(332) *Postal Insurance*.—The extension of the privilege of postal insurance to the general public will involve unfair competition with the private insurance companies without conferring any appreciable benefit on the country (paragraph 495).

(333) To encourage *cheque habit*—

(1) Use of both English and vernacular cheques is recommended (paragraph 496).

(2) Wherever there is a branch of the Imperial Bank the following payments of sums exceeding Rs. 100 should be made and accepted by Government by cheques payable at the Imperial Bank:—

(a) Salaries, pensions and other Government payments.

(b) Purchase money in auction sales conducted by civil and revenue courts and other Government offices.

(c) Land and excise revenue, cesses, income tax and other Government dues.

(d) Deposits made by private persons in civil, criminal and revenue courts.

Where there is no branch of the Imperial Bank a court or other Government officer making a payment exceeding Rs. 100 to any private person should, at the request of the payee, make the payment by a cheque payable at any branch of the Imperial Bank that he may mention (paragraph 497).

(3) In the mufassal, arrangement should be made for clearing cheques in the local branch of the Imperial Bank of India, or where no such branch exists, by the local banks themselves (paragraph 496).

(4) In Calcutta, one clearing a day should be arranged for small banks (paragraph 496).

(5) Cheques should also be introduced in Postal Savings Banks as suggested under Savings Banks (paragraph 496).

(334) *Extension of banking facilities*.—Till the borrowers are better educated, the banking business in mufassal centres is to be left to loan offices, co-operative banks and indigenous bankers, each with a distinct sphere and function (paragraph 498).

Acknowledgment.

503. We wish to place on record our appreciation of the able help that we have received from our Secretary, Mr. J. C. Chaudhuri. His assistance in office work and in collating the mass of technical and statistical materials placed before us considerably lightened some of our tasks, and we record our acknowledgment of his efficient and able services to the Committee. The Head Assistant, Babu Satkari Banerjee, and the remainder of our clerical and office staff have had almost always to work at high pressure, and they continued to work with satisfaction in spite of the heavy strain imposed on them specially during the last four months of our work. We acknowledge their ungrudging services and record our appreciation of the promptitude and ability in the discharge of their duties.

504. We have particularly to thank the many non-official and official workers who devoted considerable amount of their time in making intensive surveys of the villages selected for the purpose. Appendix XII gives a list of these gentlemen, to each and every one of whom our special thanks are due for the services rendered by them for our understanding the problems of rural economic life. They are the first of such workers who have taken up such systematic studies of rural life, and we only hope that the work begun by them will be continued and greater intensive studies on even wider scale will be made in the future. In spite of the pioneer work done by them, with no previous experience for guidance, these enquiries have been valuable contributions in our studies of rural economy. We also specially thank the Settlement Officer of Nadia, Murshidabad and Birbhum and his Headquarters Assistant Settlement Officer for the promptitude in placing settlement records at our disposal.

K. C. DE, *Chairman*,

HEMAYETUDDIN AHMED

SASADHAR GHOSE

J. C. SINHA

M. AZIZUL HAQUE

BADRIDAS GOENKA

NARENDRA NATH LAW

} *Members.*

J. C. CHAUDHURI, *Secretary*.

Calcutta, the 15th May 1930.

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APPENDICES.

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APPENDIX I.

Memorandum of Lines of Enquiry by Provincial Committees.

1. The Provincial Committees should make intensive surveys of one or two selected districts in each province and a general survey of the conditions in the province or areas as a whole in regard to agricultural and small industries with special reference to the fabric of finance. The details of the enquiries to be undertaken should be settled by the Provincial Committees themselves, but in order to facilitate tabulation of the results for all India, the following main heads under which the Committees should classify the information and material collected are laid down for their guidance. This should not be held to debar the Provincial Committees from investigating any special provincial features not covered by the heads below.

2. The main heads referred to above are :—

I.—Agricultural Credit.

(See in this connection Chapters XII and XIII of Agricultural Commission's Report.)

(a) Various items of permanent improvement to land. Credit facilities required and actually existing. Rates of interest and period of loans and other conditions. Part played by Imperial Bank, joint stock banks, co-operative banks and indigenous banks and bankers. Scope for land mortgage banks and for agricultural credit banks. Co-ordination of credit agencies. Review of system of Government loans and elimination of administrative defects.

(b) Credit facilities required for purchase of agricultural implements and seed and other expenses of production. Facilities actually existing. Rates of interest and period of loans and other conditions. Effect of borrowing on disposal of produce. Part played by different classes of banks and bankers.

(c) Present methods of marketing principal crops. Credit facilities required for financing of products during marketing. Part played by different classes of banks and bankers. Facilities for remittance. Use of negotiable instruments and scope for promotion. Reduction of duty on bills.

(d) Volume of agricultural indebtedness in province and the causes contributing to such indebtedness. Existing credit facilities for discharging debt. Part played by different classes of banks and bankers.

(e) Agricultural enterprises and other small industries in province, like dairy farming, *gur* factories, cotton ginneries, sugar refineries, etc. Possibilities of developing cultivation or of helping cultivator to get a better return by erection of such factories. Credit facilities required and actually existing.

II.—Special study of working of co-operative banks and co-operative marketing societies.

(See Chapter XIII of Agricultural Commission's Report.)

Extension of co-operation in direction of borrowing and lending on provincial scale instead of local units operating separately in watertight compartments. Relations with Imperial Bank and joint-stock banks. Present difficulties of financing co-operative societies both short and long term capital. Alleged competition of co-operative banks with joint-stock banks.

III.—Special study of indigenous banking.

Collection of available information regarding indigenous banks and bankers and their methods of doing business. Shroffs, large and small, who do not usually call themselves bankers, should be included in enquiry. Information should comprise capital, deposits, cash balance, terms of advances, establishment, clientele, relation to agriculture, industry and trade, facilities required, relation to joint-stock banks and Imperial Bank, attitude towards some sort of governmental supervision and publicity, methods to secure stability and inspire confidence.

IV.—Investment habit and attraction of capital.

(1) Means or institutions in existence for encouraging investment habit—Postal cash certificates and postal savings banks. Classes of population who resort to such forms of investment and methods of attracting other classes. Alleged competition of Government with joint-stock banks. Existing facility for purchase and sale of Government securities. Hilton-Young Commission's proposal for introduction of gold cash certificates.

(2) Growth of cheque habit. Effect on same of abolition of stamp duty on cheques. Other methods of promotion like payment of Government servants and bank employes above, say, Rs. 100 by cheques.

(3) Branch banking and investment habit. Experience of Imperial Bank's new branches opened under agreement. Existing difficulties experienced by joint-stock banks in opening new branches.

APPENDIX II.

General questionnaire.

(NOTE.—The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive, nor is it desired that each witness should necessarily attempt to deal with all the questions raised.)

Part I.—Agricultural credit and credit facilities for small industries.

1. (i) Describe the present system by which the agriculturist in your district or province obtains finance—

- (a) for expenses during cultivation,
- (b) for capital and permanent improvements, and
- (c) for other special needs, e.g., failure of moonson, for land revenue, *rent*, etc.

(ii) What are the rates of interest charged in your district or province in respect of advances, the period for which loans are taken, the nature of the security given and accepted (e.g., standing crops, etc.), and other conditions attaching to the grant of such loans?

What in your estimate are the percentages of secured and unsecured loans to the agriculturists in your part of the country?

(iii) Describe the part played in agricultural finance by Government, the Imperial Bank of India, the joint-stock banks, co-operative banks, the indigenous banks and bankers, professional money-lenders, merchants and dealers, and other organisations giving credit (e.g., companies trading in fertilisers, etc.).

(iv) Can you give an estimate of the total amount of capital required for the various purposes stated above for your district or province?

(v) State defects, if any, in the present system of financing agriculture, and the reasons for the existence of such defects. Do you suggest any remedies?

(vi) Is there co-ordination among the various credit agencies including Government, and is there scope for improvement in that direction?

2. (i) Describe the present method of marketing principal crops in your district or province *by the raiyat*.

Is he unable to hold up his crop for a better price? If so, for what reasons?

(ii) What in your opinion are the possibilities of forming pools and of co-operative effort generally in marketing produce?

(iii) *Are there any co-operative sale societies in your district? How are they constituted? Are they linked to any central organisation? How are they financed at present? Do they experience any difficulty in obtaining sufficient funds?*

(iv) Describe the credit facilities required for the financing of products during marketing and the facilities actually existing.

(v) In regard to such facilities, is there any special difference as between internal trade and foreign trade?

(vi) What is the part played by the different classes of banks and bankers and merchants and dealers in the financing of—

(a) *the export trade from the village to the ports of the province through hâts, mokams, etc., and*

(b) *the import trade from these ports to the distributing centres and ultimately to the consumers?*

(vi-a) *What are the terms on which the financing of trade during the above stages is done? Are any difficulties experienced in connection with the above financing, and have you any suggestions to make for removing those difficulties and for improving in any way the existing financial facilities available for the movement of imported and exportable articles?*

(vi-b) *It has been suggested that the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade and on account of the control of prices by these and other bodies. What are your views on this suggestion? Please supplement your views by any facts and figures within your knowledge. Have you any observations to make with a view to ensure a better return to the growers of produce in India?*

(vii) *Have you any reason to think that the lack of banking facilities to persons engaged in the movement of the principal crops of your district (such as paddy and jute) is due to causes other than borrower's lack of credit, e.g., any position of monopoly which the buyers might enjoy or to the want of a definite standard of quality?*

(viii) *What are the existing facilities available to the public, including banks and bankers, for internal remittance?*

(ix) *State any defects in the existing system and any suggestions for improvement?*

(x) *Describe the part played by negotiable instruments in the internal trade of the province.*

(xi) *Have you any suggestions to make for the more extensive use of bills (e.g., by reduction of duty on bills)?*

(xii) *What are the different classes of hundis current in your part of the country? What are the peculiarities of each?*

(xiii) *Will the introduction of standardised forms on stamped paper facilitate the use of hundis?*

(xiv) *Have you any suggestions for the amendment of the Negotiable Instruments Act, by which the public and the bankers handling hundis might be better protected or benefited?*

(xv) *Are hundis emanating from your locality discounted in your local centre or are they sent to a provincial centre and discounted there, or are they held by middlemen, merchants or commission agents?*

(xvi) *Are there any facilities for rediscounting hundies in your locality? If not, can you suggest means for the introduction of such facilities?*

(xvii) *What different kinds of instruments of ownership of goods and produce (e.g., railway receipts) and documents are employed for raising money during the process of marketing?*

(xviii) Are any difficulties experienced in the use of these instruments, for instance, bills of lading issued by particular Inland Steamship Navigation Companies, and have you any suggestions to make with a view to removing those difficulties ?

(xix) What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America or otherwise ?

(xx) Do you think there is any need for Government assistance in the matter ?

3. (i) In your district, what is the value of land per acre for different kinds of crops ?

(ii) What are the factors affecting such value ? In your reply, please distinguish between—

- (a) value of land in Government auction for non-payment of revenue,
- (b) value of land in the event of sale by court decree ; and
- (c) value of land in purchase by private negotiation.

4. (i) Is there any legal impediment to mortgage of land and agricultural holdings in your province ?

(ii) How far has the amended Bengal Tenancy Act influenced the credit of the agriculturists ?

(iii) To what extent do the smallness and fragmentation of the agricultural holdings stand in the way of establishing long term credit institutions ?

(iv) Are there any land mortgage banks or agricultural banks in your province or any other banks for the provision of long term credit ?

(v) State what you know of their method of work and of raising capital.

(vi) If no such institution exists in the province, suggest the lines on which such institutions could be established and worked to the advantages of the landholders and tenants of your province.

(vii) Do you suggest any measures for—

- (a) improvement in the record-of-rights and title of ownership so as to simplify reference, and to avoid possibilities of disputes and counter-claims by parties other than those who are the clients of the bank ;
- (b) simplification of the process of foreclosure and sale by the mortgage bank in the event of non-payment ; and
- (c) reduction of costs of reference to the record-of-rights and of registration of records and of the process at law, so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ?

(viii) Should the working capital of the proposed mortgage bank be derived largely from—

- (a) deposits,
- (b) funds from central institutions, or
- (c) debenture bonds ?

(ix) Should debenture bonds carry any Government guarantee either for principal or interest, or for both ?

(x) If so, what measures would you suggest to secure Government against unnecessary loss ?

(xi) On what terms should Agricultural Mortgage Banks raise moneys under each of the above-mentioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses ?

(xii) Do you consider that the debentures to be issued by the proposed Co-operative Land Mortgage Banks should be included in the list of trustee securities ?

(xiii) Please state any other suggestions for the adequate provision of long term credit against sound security.

5. In order to devise measures for the increase of credit facilities to the agricultural classes, it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes.

(i) Do you know of any such estimate for a village or a district in your province, or for the whole province ?

(ii) In what manner can such an estimate be obtained with reasonable accuracy ?

(iii) In such an estimate please distinguish between—

(a) the amount of debt with land as security which is in the form of a registered mortgage ; and

(b) the amount of debt which is incurred against any other assets, such as the village house, ornaments, ploughs and other agricultural implements, crops and produce, or debt which is given on the general security of all the assets without a specific pledge.

(iv) Please state wherever possible the purposes for which the debt was incurred, such as—

(a) the repayment of earlier debts,

(b) marriage and other social occasions,

(c) litigation,

(d) famine and other kinds of distress,

(e) payment of land revenue or rent,

(f) growth of the debt by compound interest, interest not having been paid,

(g) cattle, seeds and manure,

(h) improved agricultural implements, or

(i) sinking of wells and agricultural improvements.

(v) Please indicate also to whom this debt is largely due and whether the creditors are Government, banks, co-operative societies, or indigenous bankers and professional money-lenders.

(vi) Is agricultural indebtedness in your locality increasing or decreasing ?

(vii) How far are the needs of the agriculturists of your part of the country met at present by the Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884 ?

(viii) *Can you suggest any measures for rendering the operations of these Acts more prompt?*

(ix) *Are itinerant money-lenders, such as Kabulis, to be found in your part of the country? Describe their method of work?*

(x) *Can you give some concrete instances of usurious rates of interest, heavy accumulation of debts, and prolonged duration of a loan, in cash or in kind?*

(xi) *To what extent is the Usurious Loans Act (Act X of 1918) availed of in your locality? What measures would you suggest for greater use being made thereof?*

(xii) *Is there any standard rate of interest followed by courts for (a) unsecured and (b) secured loans in applying the Act?*

(xiii) *Is the Act being evaded by the taking of a bond for a larger amount than is actually advanced to the debtor, or in any other way?*

(xiv) *What practical proposals would you make so that the raiyats can get loan of seeds and paddy for their needs in normal times and can easily pay off such loan?*

(xv) *What is the prevalent rate of interest of paddy loan in your locality?*

(xvi) *State what you know of the rates of interest charged, the methods used, for calculating it and for enforcing the payment of the debt.*

(xvii) *Do you think a large number of people, who are efficient farmers, are being turned into tenants for a period of tenants-at-will through the process of the enforcement of the old debts and landed property passing on into the hands of the creditors?*

(xviii) *If this process is going on, does it take away from the actual cultivator the incentive to produce more and in an efficient and better manner?*

6. (i) *Give some idea of the number of small subsidiary industries allied or supplemental to agriculture existing in your province, such as rice-milling, dairy-farming, gur-making, garden produce, cotton ginneries, sugar refineries, hand-spinning, etc.*

(ii) *Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his produce?*

(iii) *Can you suggest any enterprises which may give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and to raise his standard of living?*

(iv) *What would be the best method of securing working capital for such enterprises?*

(v) *What financial machinery do you suggest for this purpose?*

6A. (i) *How are small industries (requiring funds below 5 lakhs of rupees), which are neither supplemental to nor connected with agriculture, financed at present in respect of their (a) fixed and (b) circulating capitals?*

(ii) *Can you suggest any measures for providing better financial facilities for such industries?*

6B. (i) *What are the facilities existing in your district for obtaining loans by people who are not agriculturists, e.g., day-labourers, fishermen, small traders, service-holders and middle class gentlemen generally?*

(ii) *What are the purposes for which they generally borrow and at what rate of interest? State the difference in the rate of interest in the case of secured and unsecured loans.*

(iii) *In what way are the Government, the co-operative banks, and joint stock banks, and the indigenous bankers helping them now, and what steps do you suggest to give them better financial facilities?*

(iv) *Is the indebtedness among these classes generally on the increase or decrease?*

7. (i) *State what you know of the relations that exist between the co-operative banks and the other banks in the country, namely, the Imperial Bank of India, the joint stock banks and the indigenous banks.*

(ii) *Describe any existing difficulties in the matter of finance in the case of co-operative societies, both in regard to short and long term capital.*

(iii) *Can you give an estimate of the amount of extra capital required for financing the co-operative movement in your district or province?*

(iv) *Is there any competition in your district or province between the co-operative banks and joint stock banks, including loan offices, and the branches of the Imperial Bank of India, if any?*

(v) *If so, to what extent and in what direction?*

(vi) *Have you any views regarding the possibility and desirability of granting financial concessions in order to stimulate the growth of the co-operative movement (e.g., by extension of special exemption from income-tax to genuine co-operative societies, inclusion of debentures issued by the Provincial Co-operative Bank in the list of trustee securities, reduction of fees on money remitted through post offices)?*

7A. (i) *Is it desirable that Co-operative Central Banks should be permitted to grant loans to individual members and depositors?*

(ii) *Is it desirable to enlarge the scope for the investment of funds of co-operative societies and to relax the restrictions contained in section 32 of the Act?*

(iii) *Would you advocate free interlending of funds between co-operative societies and joint stock banks, including loan offices?*

(iv) *What are the relations between them and what assistance do they render to each other?*

(v) *How far are Co-operative Central Banks in a position to undertake such banking business as remittances of money from one place to another, without infringing in any way the provisions of the Co-operative Societies Act?*

7B. (i) *What has been the effect of the establishment of co-operative societies in rural areas on the prevailing rates of interest on secured and unsecured loans to agriculturists in your district?*

(ii) *To what extent are Co-operative Credit Societies replacing professional money-lenders of your locality? If possible, give some concrete instances.*

(iii) *What are the factors that operate against the rapid spread of co-operative banks in rural areas?*

Part IA.—Loan offices and Joint Stock Banks in the mufassal.

1. *What are the loan offices or banks (other than Co-operative Credit Societies) in your district—*

- (a) *at the district headquarters,*
- (b) *at the subdivisional headquarters, and*
- (c) *at other places ?*

2. *What are the relative proportions of the different items of the working funds of such institutions, e.g.—*

- (a) *paid-up capital,*
- (b) *reserve fund,*
- (c) *short term deposits (i.e., money at call or at short notice, not exceeding one month),*
- (d) *intermediate deposits (repayable within two years), and*
- (e) *long term deposits (not repayable till after two years) ?*

3. (i) *What are the rates of interest allowed on different classes of deposits ?*

(ii) *What is the longest period for which deposits are accepted ?*

4. *What are the proportions of the total funds invested in—*

- (a) *Government and other marketable securities,*
- (b) *loans against immovable properties (such as land and buildings),*
- (c) *advances to industrial concerns,*
- (d) *loans on personal security (such as simple promissory notes),*
- (e) *jewellery, and*
- (f) *goods (either directly, or indirectly in the form of documents of title such as railway receipt or bill of lading) ?*

5. (i) *What are the different periods for which loans are granted, their purposes and the respective rates of interest ?*

(ii) *Is compound interest charged and, if so, what is the practice with regard to the levy of such interest ?*

(iii) *Is any interest deducted in advance at the time of granting loans ?*

(iv) *Are the loans given for a fixed period ? If so, are any steps taken when they become overdue ?*

6. (i) *Do these institutions lend money to agriculturists ? If so, under what circumstances ?*

(ii) *Do you think that they can serve the interest of agriculturists better than any other agency ?*

7. (i) *Is any business other than banking undertaken by these institutions ? If so, what proportion of their total resources is so employed ?*

(ii) *What are the difficulties which stand in the way of their doing ordinary commercial banking, e.g., discounting bills drawn in respect of goods sent from the mufassal to Calcutta and vice versa ?*

8. (i) *What portion of the profits is utilized in building up a reserve fund, and how is such fund invested?*

(ii) *What are the rates of dividend paid during the last five years?*

9. (i) *Describe the present method of their keeping accounts.*

(ii) *Do you think that a uniform system of accounting and balance-sheets should be prescribed for all?*

10. *What is your opinion regarding such banks being federated into a central banking institution?*

11. *Can you suggest means by which loan offices can take a bigger share in financing trade and agriculture?*

12. *Have there been any bank failures in your district? If so, what were the causes of such failures?*

Part II.—Indigenous banking.

(NOTE.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the Exchange Banks, Joint Stock Banks and Co-operative Banks. It includes any individual or private firm receiving deposits and dealing in hundis or lending money.)

1. State what you know of the functions of the indigenous bank or banker in your district or province, enumerating all kinds of business the bank or banker transacts.

2. How and to what extent does an indigenous bank or banker in your district or province assist in financing agriculture, trade and industry?

3. State what you know of the organisation of the indigenous banking system in your district or province with regard to—

(a) the amount of capital invested,

(b) the volume of their business,

(c) their expenses, and

(d) the relations between one indigenous bank and another, between indigenous banks and other banks in the country, viz., the Imperial Bank of India, the joint stock banks and the co-operative banks.

4. State what you know of the various forms of hundis and other credit instruments used by the indigenous banks and bankers and the extent of their use. Give sample copies of any of the hundis, promissory notes, deposit receipts, etc., used in your locality.

5. (i) State what you know of the indigenous bankers' methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

(ii) What are the means by which the indigenous banks and bankers provide themselves with funds to meet their demands?

(iii) What are the rates of interest allowed on various kinds of deposits received by them?

(iv) *Do the indigenous bankers in Calcutta and other principal towns in Bengal get sufficient facilities for rediscounting hundis with the Imperial Bank or with joint stock banks, if any ?*

(v) *Can you suggest measures for increasing such facilities ?*

6. (i) *What are the rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous banker ?*

(ii) *In what manner do you suggest these rates could be brought down by better organisation ?*

(iii) *Would the reduction of such rates confer great benefit on the agricultural community and increase its resources, thereby leading either to an improvement in the standard of living or enabling them to spend more on agricultural improvements, better agricultural implements, etc. ?*

7. (i) *Is there a prejudice in your locality against the indigenous bankers ?*

(ii) *Are these bankers sufficiently protected in law ?*

(iii) *Is there any legal or other facility which can be extended to them ?*

(iv) *Are the dealings of such class of bankers with their clientele conducted on sound lines ?*

(v) *If not, indicate the existing defects, making suggestions for remedying them.*

8. (i) *Would you suggest any means of making this class of bankers more serviceable to the community ?*

(ii) *Could you suggest any means by which the indigenous banking system could be improved and consolidated ?*

(iii) *Do you recommend any special facilities to be given to this class for this purpose ?*

(iv) *What do you think would be the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same ?*

9. *After making allowance for the legal expenses, management charges, losses through default and losses through foreclosure, can you give an idea of the net return to the indigenous banks and bankers on their capital ?*

10. *Please state whether the indigenous banks and bankers are able to meet all demands for accommodation, or whether they are obliged to refuse any either on account of the unacceptable nature of the security offered or owing to insufficiency of their working capital ?*

11. (i) *How in your opinion should the indigenous banking system be linked with the central money market and provincial capitals ?*

(ii) *Would you suggest the establishment of a branch of a joint stock bank, or a branch of a central reserve bank, or a local bank with local directorate in each district with which the indigenous banking system may be connected ?*

(iii) *In what manner could such a bank inspire the confidence of the indigenous bankers and be able to utilise the local knowledge and experience of the latter ?*

(iv) *How is the competition of such a bank with the indigenous bankers to be avoided ?*

12. (i) Do you think there is a large amount of money in the hands of the indigenous bankers which does not find employment throughout the year ?

(ii) Do you think that owing to this cause any large amount of money is flowing to the provincial capital, either for long or for short periods ?

(iii) Do you think any kind of improvement in the organisation of lending or borrowing can be made by which these funds, instead of flowing to the provincial capitals, would find remunerative employment in the districts and thereby benefit the districts ?

Part III.—Investment habit and attraction of capital.

1. (i) What are the existing banking resources in the province ?

(ii) Can you state the amount of additional capital, if any, required ?

(iii) What are the means or institutions in existence for encouraging savings and investment habit ?

(iv) Are the public provided with full facilities for the investment of their savings ?

(v) Can the existing facilities be improved in any way or extended in the smaller interior places ?

(vi) Can you give any useful information in regard to the habits of the people of India to invest in silver and gold ?

2. (i) Are postal cash certificates popular in your district or province, and can any steps be taken to increase their popularity ?

(ii) Do present interest rates of cash certificates require revision, and do existing terms of issue in any way need change ?

(iii) Do Savings Banks afford all possible facilities to the public ?

(iv) What class of population resort to such forms of investment ?

(v) Can anything be done to attract other classes ?

(vi) Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates on postal cash certificates and treasury bills ?

3. (i) State the existing facilities for purchase and sale of Government securities afforded by Government, the Imperial Bank of India and other banks. Are you in favour of granting any special facilities to the small agriculturists and the small investors of the country to take up some form of Government security ? If so, state what special facilities you recommend ?

(ii) State the existing facilities for purchase and sale of securities other than Government securities, afforded by the various financial agencies.

(iii) Can you indicate clearly the habits of various groups of people in your district or province with reference to moneys which come into their hands by sale of produce or through any other cause ? Where do they keep this money, and for what purposes and in what manner do they use it ?

(iv) Do the farmers lend to fellow agriculturists, and on what terms ? How do they invest surplus money in a prosperous year ? Give any information you can regarding the amount, growth and distribution of capital among the indigenous population ?

4. (i) State what you know about the growth of the cheque habit.

(ii) What has been the effect of the abolition of stamp duty on cheques ?

(iii) What class of population use cheques ? Have you any suggestions to make for further promoting the cheque habit (e.g., payment of Government servants and bank employees above Rs. 100 by cheques) ?

(iv) Have you any suggestions to make regarding the use of vernacular scripts in banking ?

5. (i) Do you support the view that the banking and investment habit in India is of very slow growth ?

(ii) If so, to what cause do you attribute it ?

(iii) Have you any suggestions to make regarding the various possible means of educating the people of the country to invest their savings in productive undertakings (e.g., propaganda by Government in regard to Government loans for capital expenditure, etc.) ?

(iv) As far as you know, what has been the result of the opening of new branches in recent years by the Imperial Bank of India ?

APPENDIX III.

Special Questionnaire.

(1) FOR CENTRAL CO-OPERATIVE BANKS.

I.—Relation with constituent societies.

1. What was the total amount of indebtedness of the members of the rural societies consisting the Central Bank at the time of application for membership ?

2. If it is possible to ascertain it, kindly state if the total amount of indebtedness of the members of the rural societies has been reduced since the formation of the societies.

3. Has the Central Bank financed any rural society to such an extent that all the debts of all the members have been paid off by such loan ?

4. Has any long term loans been given by the Central Bank to any rural society for the purpose of repayment of the old debts of the members ? If so, for what period ?

5. In regard to the short term loans which, we understand, are annually given to the rural societies, will you kindly state if the amount of loan required by the society is fully met by the Central Bank, and, if not, how the rural society meets its requirement ?

6. What was the proportion between short term and long term loans given by the Central Bank to its affiliated societies during the last three years ?

7. What are the general purposes for which loans are granted by rural societies to its members ?

8. Are the members of the rural societies adequately financed by their society or have they to go to money-lending classes to meet their requirements ?

9. If it is possible for the supervisors to ascertain from local enquiry, the Committee will be obliged if a comparative statement is prepared of a few typical villages showing the amount of indebtedness of the members of the rural society and that of those residents of the village who are not members.

10. Is there any rule of your bank that the loans given to rural societies in any one year is limited to one or any fixed number of occasions or is entertained only at certain periods of the years ?

11. Is there sufficient facility for the grant of short term loans to meet all seasonal demands of agriculturists, such as may be required at the time of cultivation, sowing, weeding and harvesting of the different crops. If not, would you suggest any deviation from the usual procedure adopted by your bank in granting loans to rural society ?

12. To what extent does drinking or drug habit affect the indebtedness of the members of the rural societies constituting your bank ?

13. Does the bank grant loans to co-operative organisations other than primary credit societies (e.g., industrial unions, rice mills, co-operative stores, supply and sale societies, etc.) ? If so, kindly give details.

II.—Finance.

14. From what sources does the Central Bank raise the funds necessary for financing rural societies ?

15. What is the rate of interest paid by the Central Bank on loans taken from the Provincial Bank and on deposits for different periods taken from members and non-members ?

16. If there is any source, other than that mentioned in question 15 above, from which the Central Bank derives its funds, kindly state the terms on which the bank obtains funds from it.

17. Has the Central Bank more money on deposit than it can profitably employ ? If so, can you suggest any means for the better utilisation of such funds ?

18. What are the rates of interest on which loans for different periods are granted by the Central Bank to rural societies ?

19. How are the loans granted to rural societies, remitted to such societies and how are the repayments and payments on account of interest of such loans made by the rural societies to the Central Bank ?

20. How are remittances to and from the Provincial Bank made ?

21. How is the interest actually paid by the Central Bank on loans from sources other than the Provincial Bank and on deposits of members and non-members ? Is the interest remitted by the Central Bank or have the creditors to attend the bank ?

III.—Other activities of the Central Bank.

22. Does the bank discount any bills of exchange or hundis and issue drafts ?

23. Besides the financing of rural societies does the bank do any other kind of business (e.g., current accounts, saving banks, life, cattle or other insurances, provident funds, religious, charitable or educational institutions, village uplift, training of officials of rural societies) ? If so, kindly give a detailed account of this.

(2) FOR LOAN OFFICES AND JOINT STOCK BANKS.

Name of the company.....
 Full address Date of incorporation
 Authorised (nominal or registered) capital
 Subscribed (or issued) capital.....

NOTE.—Omit annas and pies in each of the amounts below.

No.	Particulars.	(i)	(ii)	(iii)	(iv)	(v)	Remarks.
1	Dates of the last balance sheet and of the four previous balance sheets, preferably English dates.						Give the date of the last balance sheet in column (i), of the previous one in column (ii) and so on.
2	Dividend declared on those dates						
3	Paid-up capital as on those dates						
4	Reserve fund as on those dates ..						
5	Amount of deposits*—						*If different rates of interest are allowed on such deposits, give the highest and lowest rates from to per cent. per annum.
	(a) for periods exceeding 4 years (interest being allowed on such deposits at..... per cent. per annum).						
	(b) for periods exceeding 3 years but not exceeding 4 years (interest being allowed on such deposits at..... per cent. per annum).						
	(c) for periods exceeding 2 years but not exceeding 3 years (interest being allowed on such deposits at..... per cent. per annum).						
	(d) for periods exceeding 1 year but not exceeding 2 years (interest being allowed on such deposits at..... per cent. per annum).						
	(e) for periods exceeding 6 months but not exceeding 1 year (interest being allowed on such deposits at..... per cent. per annum).						
	(f) Current account (interest being allowed at..... per cent. per annum).						
	(g) Other deposits, if any, interest being allowed at per cent. per annum.						
6	Total of 5 (a) to 5 (g)						

No.	Particulars.	(i)	(ii)	(iii)	(iv)	(v)	Remarks.
7	Other liabilities, such as balance of profit and loss account, unpaid dividends, amounts due but not yet paid, etc.						
8	Total of lines 6 and 7						
9	Cash—						
	(a) on hand						
	(b) with bankers						
10	Total of 9 (a) and 9 (b)						
11	Cash percentage=(item 10÷item 8×100.)						
12	Investment in Government securities.						
13	Investment in other marketable securities .						
14	Bank premises, furniture, etc. ..						
15	Investment in any other business carried on by the company such as zemindary, trade, transport (motor bus), industry (e.g., printing), etc. State the amounts invested in these items as shown below :—						
	(a) (Name of business No. 1) ..						
	(b) (Name of business No. 2) ..						
	(c) (Name of business No. 3) ..						
	Total of 15 (a) to 15 (c) ..						
16	Purposes for which loans are granted						If actual figures for different purposes are not available, give approximate percentages.
	Amounts lent for—						
	(a) Agriculture						
	(b) Industry other than agriculture.						
	(c) Trade						
	(d) Other purposes						
	Total of 16 (a) to 16 (d) ..						

No.	Particulars.	(i)	(ii)	(iii)	(iv)	(v)	Remarks.
17	Periods for which loans are granted Amounts of loans for periods—						
	(a) Up to 6 months, interest being charged at from..... to.....per cent. per annum.						
	(b) Exceeding 6 months but not exceeding 1 year, interest being charged at from.....to.....per cent. per annum.						
	(c) Exceeding 1 year but not exceeding 2 years, interest being charged at from.....to.....per cent. per annum.						
	(d) Exceeding 2 years, interest being charged at from.... to.....per cent. per annum.						
	Total of 17 (a) to 17 (d) ..						
18	Particulars of securities against loans.						
	Amount of loans against—						
	(a) Mortgage of land, interest being charged at from..... to.....per cent. per annum.						
	(b) Pledge of ornaments, interest being charged at from.....to.....per cent. per annum.						
	(c) Promissory notes, interest being charged at from.....to.....per cent. per annum.						
	(d) Simple bonds, interest being charged at from..... to.....per cent. per annum.						
	(e) Any other securities not men- tioned above.						
	Total of 18 (a) to 18 (e) ..						

{ Signature
 { Designation
 { Date.

(3) QUESTIONNAIRE FOR INTENSIVE SURVEY OF SELECTED VILLAGES.

Name of village

Thana

Subdivision

District

Situation of the village in regard to road and railway facilities

Distance from District Board Road and nearest railway station

Total area of village in acres

	Hindus.	Muham- madans.	Others.			Total.
Population ..						
Number of families ..						

(Sonthals, whether Hindus or Christians, should be shown separately as "Sonthals" in one of the sub-columns under the heading "Others".)

Describe the character of the different kinds of soil found in the village

Area under cultivation.

Crops.	Area in acres.	Amount of produce in maunds in—			Average price per maund.
		1928-29.	1927-28.	1926-27.	
(a) <i>Paddy</i> —					Rs. A. P.
Aus					
Aman					
Boro					
(b) <i>Other food crops such as</i> —					
Potatoes					
Sugarcane					
Wheat					
(c) <i>Rabi crops</i> —					
Mustard					
Linseed					
Pulses					
(d) <i>Jute</i>					
(e) <i>Others</i>					

N.B.—Please state here the total area of the village in which more than one crop is raised every year and also the total area of the village which requires periodical rest.

Value per acre of different classes of land in the village.

[If available, this information should be obtained from the Settlement records (crop statistics).]

1. Aus land
2. Aman land
3. Boro land
4. Jute land
5. Irrigated land
6. Culturable waste
7. Unculturable waste
8. Other kinds
- 9.

Cost of cultivation per acre.

(In calculating the cost of cultivation the cost of labour of the agriculturist himself and his family should be excluded. Only the wages paid to hired labourers should be shown. A typical agriculturist should be selected, or an average taken of several typical agriculturists.)

Paddy.			Rs.	A.	P.
(1)	Wages for ploughing	.. ..		
(2)	Wages for sowing	.. ..		
(3)	Wages for weeding	.. ..		
(4)	Wages for reaping	.. ..		
(5)	Wages for threshing	.. ..		
(6)	Cost of seed	.. ..		
(7)	Cost of manure	.. ..		
(8)	Cost of feed of cattle	.. ..		
(9)	Rent	.. ..		
(10)	Other expenses, if any	.. ..		
	Total	.. ..		

N. B.—Similar statement should be prepared for jute, potatoes, sugar-cane and rabi crops.

Marketing.

1. To whom do the cultivators of the village sell their produce and how are the prices fixed between them and the purchasers? Note specially whether the price is fixed before, at the time, or after the produce is handed over and whether the seller exercises any real influence in fixing the prices. Mention cases of forward sales or of advances made by the hypothecation of standing crops.

2. How is the account settled? Does the purchaser pay at once in cash or does he credit the grower's account towards repayment of a past debt or as a deposit for future withdrawal? If the latter, how long after the delivery can the grower withdraw his dues?

3. If the sale is to a mahajan or to a middleman who has advanced money, does the grower get as good a price for his produce as in the open market? If not, please give concrete examples.

4. Does the grower have to pay any other charges at the time of the sale of his produce, such as *Koyali*, *Iswarbritti* or *tahari*? If so, at what rates?

5. What means of conveyance is usually availed of by the grower in conveying his produce from his field or house to the place where it is sold? What is the average cost of such conveyance per maund for different kinds of agricultural produce?

6. Does the grower keep back the produce for a better market? If so, give concrete instances during the year 1335. Does the local Co-operative Credit Society assist towards this end?

7. What are the articles manufactured in the village and how are they sold?

8. Is there any hât or bazar in the village? If so, on what dates does it sit and what commodities are generally available in it? If there is no hât or market in the village what hât or market do the villagers frequent? How far is it from the village, on what day does it sit and what commodities are available in it?

9. Is any commission charged by or on behalf of the zemindar as *tola* or *mathat* on the commodities sold by the villagers in such hât or market? If so, at what rate is it charged?

Purchase and Industry.

1. How do the villagers purchase commodities required—

- (a) for industrial and agricultural uses, and
- (b) for their own household consumption?

2. What is the number of shop-keepers in the village and what commodities do they sell?

3. Do itinerant vendors (e.g., hawkers, pedlars, etc.) frequent the village? If so, what commodities do they sell and whether purchases are made in cash or credit?

4. Are goods purchased on credit or in cash? If the former, how are payments made and for how long do the credit accounts run? What are the disadvantages that result from credit purchases?

5. Do any cottage industries exist in the village? If so, give details. How are they financed (e.g., oil presses, sugarcane presses, sericulture, silk and tussar weaving, cotton weaving, tannery, etc.)?

Rural Co-operative Credit Society.

(To be answered if there is a rural Co-operative Credit Society in the village. If more than one village is included in the jurisdiction of a single society the figures in Part I should be given for the members who are resident of the village only.)

- 1. Name of society
- 2. Date of registration

Part I.

3. Number of members
4. Total amount of deposits made by the members since the establishment of the society
5. Rate of interest on deposits
6. Total amount of loans taken by the members in—

1928-29
1927-28
1926-27
7. Rate of interest paid by the villagers for loans
8. After examining the ledgers of the members please note whether repayments of loans are made on due dates by the members. If not, please note what steps are taken by the society for enforcing punctual repayments.
9. Is there any complaint from the members—
 - (a) that applications for loans are unduly delayed ?
 - (b) that the full amount of requirement is not lent ? If so, please state if the member has taken recourse to the local money-lenders.
 - (c) against the conduct of the officials of the society ?
10. Has the establishment of the society resulted in the reduction of the rate of interest charged by local money-lenders ? If so, give figures.
11. Are the benefits of the society appreciated by the members, and is the membership of the society increasing ?

Part II.

(The following figures should be given for the whole society.)

	Rs. A. P.			
12. Working capital
13. Reserve fund up to date
14. Share capital paid up to date
15. Amount borrowed from the Central Bank in—				
1928-29
1927-28
1926-27

16. Rate of interest charged by the Central Bank

17. Are repayments to the Central Bank punctual ? If not, please examine the causes and note if they are sufficient.

(Similar information should be given for co-operative societies that may be in the village other than the credit society.)

Dates of enquiry _____

Date of submitting report _____

Signature _____

Designation _____

Statement I.—Occupation of Families.

(This information should be collected from the Union Board or Panchayet's Assessment Register, corrected by local enquiry.)

[Sonthals should be shown as (S) in column 3.]

Serial No.	Name of head family.	Religion.	Occupation.
		Hindu (H). Mut-ammadan (M). Others (O).	

Statement II.—Tenants' holdings.

(This information should be collected from the Settlement Khatianis corrected by local enquiry.)

Serial No.	Name of tenant.	Dag numbers of plots held by tenant.	Area in acres of each plot.	Total area held by each tenant.

Statement III.—Debts of the Villagers.

[Please give the outstanding debts of agriculturists and non-agriculturists in separate sheets. When compound interest is charged, please mark (comp.) and give the period of the rest (i.e., quarterly, half-yearly or annual). Concrete cases of usurious rates of interest should be given on a separate sheet. If a loan in the form of paddy is carried over from beyond the next harvest, the value of the paddy debt should be included in the statement.]

STATEMENT A.

Amount of debt.

Serial No.	Name of villager.	Debt due to Loan office.			Debt due to the village mahajan.			Debt due to Co-operative Society.			Debt due to a buyer of produce.			Debt due to other creditors.			Total.	
		Principal.	Interest.		Principal.	Interest.		Principal.	Interest.		Principal.	Interest.		Principal.	Interest.		Interest.	Total.
			Amount.	Rate.		Amount.	Rate.		Amount.	Rate.		Amount.	Rate.		Amount.	Rate.		
			RS. A. P.	RS.		RS. A. P.	RS.		RS. A. P.	RS.		RS. A. P.	RS.		RS. A. P.	RS.	RS. A. P.	RS. A. P.

Statement IV.—Purpose of the Loan taken.

Serial No.	Name of villager.	Amount borrowed in 1385 B.S.														Amount of paddy borrowed in 1385 B. S.			
		For cultivation.		Capital and permanent improvement including purchase of cattle.		Social and religious ceremonies.		Litigation.		Payment of revenue or rent.		Repayment of old debts.		Miscellaneous.		For food.		Seeds.	
		Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.	Amount.	Rate of interest.
		Rs. A. P.	Rs.	Rs. A. P.	Rs.	Rs. A. P.	Rs.	Rs. A. P.	Rs.	Rs. A. P.	Rs.	Rs. A. P.	Rs.	Rs. A. P.	Rs.	Mds.	Rs.	Mds.	Rs.

Statement V.—Family Budgets.

Please give actual family budgets for the year 1335 B. S. of two typical families of each of the following classes, one of whom is living in comparative comfort and another living in indigence. A typical family should consist of two adult males, two adult females, and two minor children. Where the family selected deviates from the above type, please mention in detail the members comprising the family :—

(a) Agriculturists. (b) Artisans. (c) Middle classes.

Income.

Source.	Family in comfort.			Family in indigence.		
	Rs.	A.	P.	Rs.	A.	P.
1. From agriculture (gross value of the produce)						
2. From exploitation of other raw materials, e.g.—						
(a) Fruit or vegetables 						
(b) Milk or milk produce 						
(c) Fish 						
(d) Poultry and eggs 						
(e) Sericulture 						
(f) Hides 						
(g) 						
(h) 						
3. Rent received in cash or kind 						
4. Handicrafts, e.g.—						
(a) Weaving 						
(b) Brass and bell-metal industry 						
(c) Tanning 						
(d) Leather industry 						
(e) Pottery 						
(f) Carpentry 						
(g) Blacksmithy 						
(h) Lac industry 						
(i) 						
(j) 						
(k) 						

Source.	Family in comfort.			Family in indigence.		
	Rs.	A.	P.	Rs.	A.	P.
5. *Salaries, wages and other payments in cash or kind for services rendered, e.g., as—						
(a) Labourer						
(b)						
(c)						
(d)						
(e)						
(f)						
6. Other sources of income, e.g.—						
(a) Loans incurred in the year in cash or in kind						
(b)						
(c)						
(d)						
7. Total income						

*(If a member of the family works elsewhere the net amount remitted by him during the year should be shown.)

Expenditure.

Items.	Family in comfort.			Family in indigence.		
	Rs.	A.	P.	Rs.	A.	P.
I. Rent, cesses, rates, and taxes						
II. Food—						
(a) Rice						
(b) Pulses						
(c) Vegetables						
(d) Fish, eggs, meat or other animal food						
(e) Milk						
(f) Cooking oil and ghee						
(g) Salt						
(h) Sugar, gur or sweetmeats						
(i) Tobacco						
(j) Betel leaf and betel nuts, etc.						
(k) Spices for cooking						

Items.	Family in comfort.			Family in indigence.		
	Rs.	A.	P.	Rs.	A.	P.
(l) Fuel						
(m) Fodder for cattle						
(n)						
III. Dress—						
(a) Dhuti						
(b) Sari						
(c) Ganji						
(d) Gamcha						
(e) Coat						
(f) Shoes						
(g) Warm wrapper						
(h)						
(i)						
IV. Kerosene or other lighting oil ..						
V. Repairs or renewals of house, furniture and utensils						
VI. Education of children						
VII. Medical expenses						
VIII. Intoxicating drinks and drugs ..						
IX. Social and religious ceremonies ..						
X. Cost of cultivation						
XI. Cost of journeys						
XII. Purchase of luxuries						
XIII. Cost of litigation						
XIV. Interest paid on loans						
XV. Loans in cash or kind repaid ..						
XVI.						
XVII.						
XVIII.						
Total expenditure ..						

APPENDIX IV.

List of witnesses examined.

Serial No.	Date.	Name.	Page of evidence in volume.
1	August 23rd, 1929 ..	Mr. Jadunath Sarkar, Deputy Director of Agriculture, Western Circle.	
2	September 30th, 1929	Khan Sahib Syedur Rahman of Chandra, Jamalpur.	
3	Ditto ..	Mr. Mahim Chandra Deb Maulik, President, Bar Association, Jamalpur.	Jointly ..
4	October 30th, 1929 ..	Mr. Joges Chandra Ghose, Vice-Chairman, Indian Tea Planters' Association, Jalpaiguri.	Jointly ..
5	Ditto ..	Mr. A. F. Rahman, M.L.C., Tea Planter, Jalpaiguri.	
6	October 31st, 1929 ..	Mr. Jai Gobinda Guha, Chairman, District Board, Jalpaiguri.	
7	November 3rd, 1929 ..	Mr. Kumjalal Basak, Managing Director, Noagan Islamia Bank, Ltd.	
8	November 8th, 1929 ..	Mr. Agniswar Roy, Managing Director, Bengal United Bank, Ltd.	
9	Ditto ..	Mr. Surendra Nath Shom, Managing Director, Savings and Industrial Bank.	Jointly ..
10	Ditto ..	Mr. Akshoy Krishna Bose, Managing Director, Union Bank Co.	
11	Ditto ..	Mr. Narendra Narayan Neogi, Managing Director, Jamalpur Bank, Ltd.	
12	November 9th, 1929	Mr. Dinesh Chandra Guha, Chairman, Urban Co-operative Bank, Ltd.	
13	December 13th, 1929	Mr. S. M. Bose, Proprietor, Bengal Waterproof Works.	
14	December 17th, 1929	Mr. B. Maitra, Partner of Messrs. Sen, Das Maitra & Co.	
15	January 27th, 1930 ..	Maulvi Shah Abdur Rauf, Secretary, Rangpur Central Co-operative Bank.	
16	Ditto ..	Rai Bahadur Sarat Chandra Chatterji, Chairman, District Board, Rangpur.	
17	Ditto ..	Mr. A. R. Malik, Deputy Director of Agriculture, Northern Circle.	
18	January 28th, 1930 ..	Mr. Satya Gopal Sen Gupta, Income-tax Officer, Rangpur and Bogra.	
19	Ditto ..	Mr. A. K. W. Ahmed, Sadar Subdivisional Officer, Rangpur.	
20	Ditto ..	Mr. M. B. Roy, Deputy Collector	..
21	Ditto ..	Mr. R. Palit, Superintendent of Post Offices, Rangpur and Bogra.	
22	January 30th, 1930 ..	Mr. Anandji Haridas	Representatives of the Indian Chamber of Commerce. (Evidence taken jointly.)
23	Ditto ..	Mr. H. P. Bagaria	
24	Ditto ..	Mr. M. C. Raisurana	
25	Ditto ..	Mr. R. L. Nopany	
26	Ditto ..	Mr. M. P. Gandhi	

Serial No.	Date.	Name.	Page of evidence in volume.
27	February 1st, 1930 ..	Mr. S. K. Halder, i.c.s., Subdivisional Officer, Tamluk.	
28	Ditto ..	Mr. B. K. Bhattacharyya, Circle Officer, Tamluk.	
29	Ditto ..	Mr. B. C. Adhya, Circle Officer, Mahisadal.	
30	Ditto ..	Rai Bahadur Manmatha Nath Bose, Secretary, Midnapore Central Bank.	
31	Ditto ..	Mr. B. K. Ghose, 2nd Khas Mahal Officer, Contai.	
32	Ditto ..	Mr. Manishi Nath Bose, Assistant Secretary, Midnapore Central Co-operative Bank.	Jointly ..
33	Ditto ..	Mr. Surendra Chandra Chakrabarty, Inspector of Co-operative Societies.	
34	Ditto ..	Mr. D. N. Sen Gupta, Executive Engineer, Cossye Irrigation Division.	
35	Ditto ..	Mr. S. C. Mazumdar, Executive Engineer, Bankura Irrigation Division.	
36	Ditto ..	Mr. D. M. Mitra, Superintendent of Post Offices, Midnapore and Bankura.	
37	Ditto ..	Mr. A. K. M. Ehya Sadique, Income-tax Officer, Midnapore and Bankura.	
38	Ditto ..	Mr. A. M. Chakrabarty, Khas Mahal Manager, Contai (Midnapore).	
39	February 8th, 1930 ..	Mr. A. T. Weston, Director of Industries, Bengal.	
40	February 10th, 1930 ..	Mr. T. C. Roy, Collector, Nadia	
41	February 13th, 1930 ..	Mr. D. N. Sen, Sadar Subdivisional Officer, Noakhali.	
42	Ditto ..	Khan Bahadur Saiyid Muazzamuddin Hosain, Subdivisional Officer, Feni.	
43	Ditto ..	Mr. S. L. Nandi, Income-tax Officer, Tippera and Noakhali.	
44	Ditto ..	Mr. M. K. Banerjee, Income-tax Officer, Chittagong.	
45	Ditto ..	Dr. Beni Mohon Das, Ex-Secretary Chittagong Urban Bank.	Jointly ..
46	Ditto ..	Mr. Jogesh Chandra Sen, Secretary, Chittagong Central Co-operative Bank.	
47	February 14th, 1930 ..	Mr. Satyendra Nath Dutta, Subdivisional Officer, Cox's Bazar.	
48	Ditto ..	Khan Sahib Maulvi Ali Azam, Deputy Collector, Chittagong.	
49	Ditto ..	Mr. Nirajan Bhuiya, a proprietor of the firm of Messrs. Harish Chandra Ram Kanai Bhuiya of Chittagong.	
50	Ditto ..	Mr. B. K. Das, Assistant Registrar of Co-operative Societies, Chittagong Division.	
51	Ditto ..	Haji Naju Mia, Merchant, Chittagong	
52	Ditto ..	Mr. Golab Chand Somani, representative of Messrs. Lakshminarayan Rambilas, Bankers, Chittagong.	

Serial No.	Date.	Name.	Page of evidence in volume.
53	February 14th, 1930..	Mr. K. K. Sen, Managing Director of the Chittagong Engineering and Electric Supply Company.	
54	Ditto ..	Rai Bahadur Upendra Lal Roy, Zemindar and Merchant, Chittagong.	
55	February 16th, 1930..	Mr. Hemchandra Das, Inspector of Co-operative Societies, Khepupara.	Jointly ..
56	Ditto ..	Mr. Abu Ali Sabir, Inspector of Co-operative Societies, Bhola.	
57	Ditto ..	Mr. Gopal Chandra Biswas, Managing Director, Barisal Rindan Samity.	Jointly ..
58	Ditto ..	Mr. Kali Prasanna Guha, Deputy Chairman, Barisal Central Bank.	
59	Ditto ..	Mr. Rajani Kanta Chatterji, Secretary, Barisal Loan Office.	
60	Ditto ..	Maulvi Kazi Abdul Wajej, Chairman, Dhandoba Rural Co-operative Credit Society.	
61	Ditto ..	Maulvi Mahabat Ali, Chairman, Purba Najirpur Rural Co-operative Credit Society.	Jointly ..
62	Ditto ..	Maulvi Mianali Rari, Chairman, Hassanpur Rural Co-operative Credit Society.	
63	Ditto ..	Maulvi Mahammad Ali Rari, Secretary, Hassanpur Society.	
64	February 17th, 1930..	Khan Sahib Kazi Muhammad Mahiuddin, Colonization Officer, Bakarganj.	
65	Ditto ..	Mr. Akimuddin Ahmed, Secretary, Dakhinshahbazzpur Land Mortgage Bank.	
66	Ditto ..	Mr. Saral Kumar Dutt, Secretary, Barisal Central Co-operative Sale and Supply Society.	
67	Ditto ..	Mr. Nur Muhammad Ismail, Joint Sub-Registrar, Barisal.	
68	Ditto ..	Mr. N. C. Saha, Income-tax Officer, Bakarganj.	
69	February 19th, 1930..	Mr. S. Bose, Subdivisional Officer, Munshiganj.	
70	Ditto ..	Mr. K. B. Saha, Lecturer in Economics, Dacca University.	
71	Ditto ..	Mr. Matilal Dam, Lecturer in Economics, Dacca University.	
72	Ditto ..	Mr. Bankubehari Ghose, Subdivisional Officer, Jamalpur.	
73	Ditto ..	Mr. N. N. Chakravarti, Assistant Commissioner of Income-tax, Dacca.	Jointly ..
74	Ditto ..	Mr. Pannalal Adhikari, Income-tax Officer, Dacca.	
75	February 20th, 1930..	Khan Bahadur Kamaruddin Ahmed, Assistant Registrar of Co-operative Societies, Dacca Division.	
76	Ditto ..	Khan Bahadur Kazi Zahirul Haque, Deputy Chairman, Dacca Central Co-operative Bank.	

Serial No.	Date.	Name.	Page of evidence in volume.
77	February 20th, 1930..	Mr. N. K. Paul, Income-tax Officer, My- mensingh.	
78	Ditto ..	Mr. Sudhirendra Kishore Dutta Ray, Sec- retary and Director, Brahmanbaria Loan Company.	
79	February 21st, 1930 ..	Mr. S. V. Ayyar, Lecturer in Economics, Dacca University.	
80	Ditto ..	Muhammad Saberaj Bhuiya, } Secretary, Asrampur Co- operative Bank.	
81	Ditto ..	Shaik Muhammad Rajab Ali, } Jointly .. Secretary, Barabaruipara Co-operative Bank.	
82	Ditto ..	Babu Prasanna Kumar Sen of Jagabandhu Podder's firm, Dacca.	
83	Ditto ..	Babu Aswini Mohan Ghose, Secretary, Jamal- pur Central Co-operative Bank.	
84	February 22nd, 1930..	Mr. Jnana Ranjan Ghose, Assistant Secretary, Industrial Union, Dacca.	
85	March 11th, 1930 ..	Mr. P. Hoerder, President, Baled Jute Ship- pers' Association, Calcutta.	
86	Ditto ..	Mr. K. C. Mullick, }	
87	Ditto ..	Member. Captain N. M. Rai Chaudhury, Mem- ber.	
88	Ditto ..	Mr. H. P. Ghose, } Representatives of Assistant Secretary. } the Bengal National Chamber of Com- merce, Calcutta, jointly.	
89	Ditto ..	Mr. J. M. Sen Gupta, } Assistant Secre- tary.	
90	March 13th, 1930 ..	Mr. J. T. Donovan, Collector, Bakarganj ..	

APPENDIX V.

Itinerary of the Provincial Banking Enquiry Committee, Bengal, 1929-30.*A.—Itinerary of the full Committee or in batches.*

Suri (Birbhum)—September 13th to 17th, 1929.
 Krishnagar (Nadia)—September 23rd, 1929.
 Bogra (Bogra)—September 28th, 1929.
 Jamalpur (Mymensingh)—September 29th to October 1st, 1929.
 Chandpur (Tippera)—October 2nd, 1929.
 Jalpaiguri (Jalpaiguri)—October 30th to November 2nd, 1929.
 Naogaon (Rajshahi)—November 3rd to 4th, 1929.
 Krishnagar (Nadia)—November 30th to December 1st, 1929.
 Gosaba (24-Parganas)—December 29th to 30th, 1929.
 Rangpur (Rangpur)—January 27th to 28th, 1930.
 Midnapore (Midnapore)—February 1st, 1930.
 Chittagong (Chittagong)—February 13th to 14th, 1930.
 Barisal (Bakarganj)—February 16th to 17th, 1930.
 Dacca (Dacca)—February 19th to 22nd, 1930.

B.—Itinerary of the individual Members of the Committee.

1. Mr. K. C. De, C.I.E., I.C.S. (retired), *Chairman*.
 Krishnagar (Nadia)—October 27th, 1929.
 Bhagyakul (Dacca)—November 16th and 17th, 1929.
 Jessore (Jessore)—November 23rd, 1929.
2. Dr. J. C. Sinha, *Member*.
 Bogra—September 29th and 30th and October 1st, 1929.
 Bogra—November 15th and 16th, 1929.
3. Rai Sasadhar Ghose Bahadur, *Member*.
 Jamalpur (Mymensingh)—December 1st, 1929.
 Arrah (Mymensingh)—December 28th, 1929.
 Tangail (Mymensingh)—December 30th to 31st, 1929 and January 1st, 1930.
4. Khan Bahadur Hemayatuddin Ahmed, *Member*.
 Chandpur (Tippera)—October 24th to 28th, 1929.
 Chandpur (Tippera)—November 13th to 15th, 1929.
5. Khan Bahadur Azizul Haque, M.L.C., *Member*.
 Rampurhat (Birbhum)—September 26th to 27th, 1929.
 Suri (Birbhum)—October 15th and 17th, 1929.
 Rampurhat (Birbhum)—October 27th and 28th, 1929.
 Suri (Birbhum)—November 26th to 28th, 1929.
 Plassey (Birbhum)—December 6th, 1929.
 Satghata (Birbhum)—December 9th, 1929.
 Suri (Birbhum)—December 18th to 21st, 1929 and January 14th to 19th 1930.
6. Mr. J. C. Chaudhuri, *Secretary*.
 Dacca—December 23rd, 24th and 27th, 1929.

APPENDIX VI.

(1) The Naogaon Co-operative Land-mortgage Bank, Limited.

The society was started in 1924. It was originally named as the Ganja Mahal Bank. The bye-laws were completely amended and registered in August 1929 and the society is now named as the Naogaon Co-operative Land-mortgage Bank, Limited.

Area.—Its area of operation is the tract of land known as the Ganja Mahal in Naogaon Subdivision.

Shares.—The authorized share capital is five lakhs of rupees divided in 50,000 shares of the value of Rs. 10 each fully payable in one lump. No member is allowed to hold more than one-fifth of the subscribed share capital of the Bank or to hold shares the value of which exceeds Rs. 5,000.

The liability of members excepting honorary members nominated by the Registrar, is limited to twice the value of shares held.

The number of members is 1,686 (up to November 1929) and the fully paid up share capital is Rs. 52,480 (up to November 1929). Applications for membership are properly dealt with, at meetings of the Board and of the Sub-committee.

Working Capital.—The working capital has been always on the increase since the start of the society. It is now composed of:—

					Rs.	A.	P.
Share Capital	..	..	..	..	52,480	0	0
Members' Deposit—							
Fixed	..	..	..	..	54,045	0	0
Current	..	..			1,562	7	3
Non-members' Deposit—							
Fixed	..	..	..	..	2,15,530	15	0
Current	..	..	..	..	6,269	5	3
Cash credit with the Naogaon Ganja Cultivators' Co-operative Society, Limited	..	..	..	..	Satisfied in September last.		
Sinking Fund	..	..	..	..	2,264	0	0
Reserve Fund	..	..	..	..	6,536	0	0
Total				..	3,38,687	11	6

Deposits and borrowings.—The present rates of interest on deposits are:—

						Rs. A.
Current	..	..	..	..	..	3 12
Fixed—						
One year	..	..	..	..	..	6 4
Two years	..	..	..	..	..	7 0
Five years	..	..	..	..	..	7 8
Ten years	..	..	..	..	..	8 0

The old rates have been diminished in view of the confidence that it now enjoys amongst depositors. The deposits received are on the increase. Deposits of non-members exceed those of members because most of the share-holders are people who require loans and have not enough to deposit. Fixed deposits at different rates on different terms are shown in a separate statement enclosed herewith. Schemes for provident deposits have been adopted though not yet given effect to. As this will provide for long term deposits, it will do away with the difficulty in issuing loans for long terms.

It had a cash credit of Rs. 1,00,000 from the Naogaon Ganja Cultivators' Co-operative Society, Limited, at $7\frac{1}{2}$ per cent. It has fully repaid, the drafts made in September last.

Cash and securities.—The Honorary Secretary is the Cashier. He is empowered to keep cash with him up to Rs. 100. As a matter of fact, it is kept in current account with the Ganja Cultivators' Co-operative Society.

Bonds and other valuable documents are kept in the strong room of the Ganja Cultivators' Co-operative Society, of which the key is with the Secretary who is also the manager of the Ganja Cultivators' Co-operative Society.

Loans.—The interest on loans against simple and mortgage bonds as also against cash credit given to members is Rs. $10\frac{1}{8}$ per cent.

Formerly loans up to Rs. 250 for meeting the immediate requirements of members were given against simple bonds in April, May and June on the security of ganja stored and are recovered from its price. These were practically short-term loans. Recently it has been resolved to charge $12\frac{1}{2}$ per cent. on loans not secured by mortgage of lands and $10\frac{1}{8}$ per cent. long-term loans secured by mortgage of lands. According to amended bye-laws there is no provision for loans on simple bonds.

Cash credit was formerly given to all members against pro notes. Members who are also members of the co-operative rural societies are not now given cash credit as they get loans from these societies to meet their current or short-term requirements.

Loans are now given against mortgage bonds. No loan application is entertained unless it is recommended by the Director who belongs to the locality of the applicant member. A member who is also a member of a rural society is not given a loan unless his case is recommended by the latter.

All loan applications are locally enquired into by a supervisor as to assets, liabilities and arrear rents of intending borrowers. There are three supervisors for the three circles into which the Ganja Mahal is divided. Besides, there are two permanent office clerks, one at Rajshahi and another at Naogaon, to act as searching clerks at Registration offices.

Loan applications are considered by the Board. The working committee can deal with application for loans up to Rs. 750.

Loans are issued on due execution and registration of mortgage bonds. As soon as a loan is issued steps are taken to see that all previous debts of the borrower as also his arrear rents are cleared up from loans taken, i.e., the purposes for which the loans are taken are satisfied. Redeemed bonds of previous debts are obtained and kept in the office. According to the amended bye-laws two sureties are required in all cases of loans.

In order that members may pay up the dues of the Bank without default, easy instalments are given extending over up to 20 years. There are two instalments in each year. One at the Ganja season and another at the jute season. The overdues amount 8·4 per cent. This is due to unfavourable crop conditions.

There are provisions for issue of debentures in the bye-laws but it has not been given effect to. People do not like to risk in debentures unless these are backed by Government guarantee.

A statement showing the amounts lent on different terms is annexed herewith.

Profit.—The Bank has earned a net profit of Rs. 10,906-2-3 during the year 1928-29.

Reserve Fund.—The total amount of the Reserve Fund is Rs. 6,536. No part of it has yet been separately invested.

Board.—The present Board of Directors as constituted under the old bye-laws consists of 21 members, of whom 3 are *ex-officio* members and 6 nominated by the Registrar, Co-operative Societies, and 12 elected members. There is no provision for *ex-officio* members in the present amended bye-laws. Under the new bye-laws the Board is to consist of 12-21 Directors, of whom not more than 6 are to be nominated by the Registrar.

Statement showing the amount of deposits taken by the Bank at different rates on different terms.

					Rs.	A.
5 Years' fixed deposit—						
At 9 per cent.	..	..	..	..	43,500	0
At 8 per cent.	..	..	..	..	57,995	0
At 7½ per cent.	..	..	..	..	10,000	0
2 Years' fixed deposit—						
At 7½ per cent.	..	..	..	..	93,918	7
At 7 per cent.	..	..	..	..	14,225	0
1 Year's fixed deposit—						
At 6½ per cent.	..	..	..	..	1,212	8
At 5 per cent.	..	..	..	..	40,000	0
Total					2,60,850	15

Statement showing amounts lent on different terms.

Year's Kist.					Amount.
					Rs.
1	..	..	..	..	341
2	..	..	..	..	5,870
3	..	..	..	..	16,105
4	..	..	..	..	28,045
5	..	..	..	..	71,855
6	..	..	..	..	300
7	..	..	..	..	5,050
8	..	..	..	..	11,870
9	..	..	..	..	4,300
10	..	..	..	..	84,345
11	..	..	..	..	..
12	..	..	..	..	10,450
13	..	..	..	..	1,100
14	..	..	..	..	1,400
15	..	..	..	..	80,175
16	..	..	..	..	..
17	..	..	..	..	..
18	..	..	..	..	..
19	..	..	..	..	..
20	..	..	..	..	28,500
Total					3,49,706

(2) Note on Co-operation in Gosaba.

Gosaba is the headquarters of the zemindary of Sir Daniel Hamilton in the Sunderbans. The estate has a compact area of about 25,000 acres, of which about two-thirds have been deforested and brought under cultivation. The soil is quite fertile, but saline water has to be kept out by high embankments.

Sir Daniel began with making advances to cultivators like other landlords, although on quite easy terms. But as this did not encourage thrift and selfhelp, he provided the capital necessary for a co-operative credit society on the Raiffeisen model started in 1916. The movement caught on, and by 1924 the societies were sufficient in number to be federated into the Gosaba Central Co-operative Bank, Limited. Progress was made in another direction at the same time. In 1919, a co-operative store was started which supplied all the needs of the villagers.

The entire deforested sunderbans grow only one staple crop, viz., paddy. By 1922 a co-operative paddy sale society was organised at Gosaba to eliminate the numerous intermediaries in the rice trade.

Five years later, in 1927, the Sale Society started a rice mill. The Society sells its rice and paddy through the Central Paddy Sale Society in Calcutta.

As a type of rural societies, the Committee inspected three co-operative credit societies at the village Rangabelia in Gosaba Estate on the 24th December 1929. Practically all the families in the village are represented on the credit societies. In fact, the co-operative spirit has made so much progress that there is no litigation, all disputes being settled by the co-operative societies. Recently, on the death of a member, his wife was enrolled as a member and necessary arrangements for the cultivation of the holding was made by the Rural Society. The organisations have all the characteristics of "A" class societies, but they belong to class "B" on account of the smallness of deposits of members. The reason for this, as explained to the Committee, is that the members of the credit society have ordinarily to invest all their savings for the improvement of their holdings and there is at present little surplus available for deposits. On the other hand, finance for long term requirements has now been mostly met through the credit societies by Sir Daniel himself who cleared off the old debts of his tenants to mahajans. Most of the loans granted by the co-operative societies are for short periods in instalments between May and September for specific purposes such as expenses of cultivation. It is interesting to note that unlike the rural credit societies in many other parts of the province Rangabelia credit societies grant loans only on personal security and not on the mortgage of land as additional security. When the crop is harvested and carried to the Sale Society at Gosaba, credit is given to the cultivator in his *hat chita* (indigenous Pass Book) for his crop calculated at the market rate. At the same time, the amount due to the rural society in respect of loans and to the landlord in respect of rents are debited. It is no wonder therefore that there are no arrears, for the rice crop seldom fails in the Sunderbans and the entire output is controlled through different co-operative organisations in the interest of members.

There are 18 such rural societies (4 of which belong to class "B" and 14 to class "C") affiliated to the Gosaba Central Co-operative Bank, which has 3 other members, viz., (1) the Co-operative Stores, (2) the Co-operative Sale Society and rice mill and (3) the Co-operative Credit Society of the employees of the zemindary estate and of the Central Bank. The rural societies borrow from the Central Bank at 9½ per cent. and lend at 12½ per cent. As all such loans are now short-term loans, the Central Bank receives short-term deposits, generally for one year at 6½ per cent. The present share capital is Rs. 4,625 whereas the reserves and other funds amount to Rs. 2,727, according to the latest balance sheet for the year ending 30th June 1929. The Central Bank is financed at present mainly by non-members, the most important of whom is Sir Daniel Hamilton who has substantial deposits in the bank. It is desirable that the Central Bank should try to make itself independent of such outside help and the members should increase their deposits as far as possible.

The Co-operative Store called the Gosaba Bhandar is, on the other hand, financed mostly by members, who, in addition to their share capital, deposit small sums in "Home Safe" boxes. They are getting a dividend of 12½ per cent. for the past few years in addition to an average rebate of about 4 per cent. on their purchases.

Unrestricted credit sale is one of the causes of the failure of the store movement in Bengal. The Gosaba Bhandar sells cash at the market price both to members and non-members and thus avoids bad debts. Its management is also quite economical, involving an expense of Rs. 1,242 against a sale of Rs. 23,586, according to the latest balance sheet. The statistics indicate almost uninterrupted progress since the inception of the Store except in the year 1922-23 when there was a burglary.

The Co-operative Sale Society or to give its full name, "The Gosaba Jamini Rice Mill O Dhanya Bikray Samiti, Limited," has had, on the other hand, a somewhat chequered career. During 1925-26, one of the boats carrying its paddy, was lost on the way to Calcutta, causing a serious loss. During the last season, the rice trade was disorganised. Competition due to bumper crops in Siam and Indo-China and to increased cultivation in the United States of America, Italy and Spain proved so keen that huge stocks of Burma rice had to be held, so much so that prices during the off season were actually lower than during the previous harvesting season. Stocks of Gosaba Sale Society had to be written down to market value, the result for the past season's working showing a net profit of Rs. 132 only.

But this is due to world factors affecting the general rice trade and is in no way due to inefficiency in the co-operative organisation.

In fact the chief reason for the successful working of other co-operative concerns at Gosaba is that the entire crop has to be brought to the Sale Society, there being no *mahajan*, *bepari* or *aratdar* in the area. Co-operative Credit Societies elsewhere might consider whether realisations would not be better carried out than at present, if they start sale societies for their member on the Gosaba plan.

(3) Note on Pooling of the hemp drug produced in Bengal by the Naogaon Ganja Cultivators' Co-operative Society, Ltd.

The Naogaon Ganja Cultivators' Co-operative Society was registered in 1917 under the Co-operative Societies Act. It is a limited liability company, composed of ganja cultivators only in the Naogaon subdivision of the Rajshahi district. They number about 4,000. The share capital consists of fully paid-up shares of the value of Rs. 10. No member can hold more than 100 shares. The last balance sheet shows the paid-up share capital to be Rs. 45,650 held by 3,916 members.

The reserve fund of the Society is Rs. 3,00,035 and there is in addition a special reserve of Rs. 1,66,538. The reserves are not separately invested.

The working capital is composed of the paid-up share capital, the reserve funds, and deposits. The latter amount to Rs. 1,96,635. Thus the total working capital is Rs. 7,08,858.

Deposits are both current and fixed. The rate of interest for current deposits is $3\frac{1}{2}$ per cent. and that on fixed deposits varies from $6\frac{1}{4}$ per cent. to 8 per cent. according to the period.

The Society obtained from Government the sole monopoly of purchasing ganja manufactured by the licensed cultivators and uses its working capital in making the purchase of the manufactured drug every year. These licensed cultivators are not always members of the Society,

but they become members soon after the production of the first crop. When a licensed cultivator manufactures ganja he brings it to the Excise Depôt at Naogaon. On producing the Excise Department's certificate he obtains from the Society the first instalment of price, called "advance price," as fixed by the Committee of the Society. Six months later the remainder of the price called "deferred price," also as fixed by the Committee, is paid to him. At the close of the year the Society prepares its annual account and after making payment on account of the statutory provision for the reserve fund and a statutory maximum rate of dividend on the shares, gives a bonus to the manufacturer. The rate of bonus to the non-members is half that paid to the members. There is still a very large surplus left, which is expended by the Society on charity, bonus to employees, medical aid, public improvements, such as communications, etc., and the balance is carried over.

In 1927-28, 1,798 bighas (1 bigha = .33 acre) were brought under cultivation and produced 6,092 maunds of the drug. The advance price paid was Rs. 90 a maund, the deferred price Rs. 7 and the bonus Rs. 30 per maund, making up a total of Rs. 127 per maund. Thus the price obtained by the cultivator amounted to Rs. 127 per maund and averaged about Rs. 437 per bigha.

The Society sells ganja to licensed vendors at a rate fixed by the Commissioner of Excise which was Rs. 200 for Bengal vendors and Rs. 175 for vendors from outside the province. In 1927-28 the Society paid Rs. 5,22,477 for the price of the manufactured drug and sold it for Rs. 8,68,082.

The drug is sold in retail at the rate of Rs. 105 per seer or Rs. 4,200 a maund. The bulk of the difference is received by Government as duty (Rs. 40 a seer) and license fee on shops (also Rs. 40 a seer) and only the remainder (Rs. 20 per seer) goes to meet the expenses and the profit of the licensed vendor.

Thus it will be seen that this Society does not assist the ganja cultivator in the process of cultivation and manufacture of the drug. Nor does it finance for either capital or current expenses of farming or for household expenses. These functions are exercised by other Co-operative Societies. There are, firstly, about 40 rural Co-operative Societies within the Ganja mahal which extends to about 50 sq. miles, and they finance the cultivators with short-term loans. There is also the Co-operative Land Mortgage Bank which gives them long-term loans. There are also the Co-operative Agricultural Association which supplies them with improved seeds and manure and the Co-operative Store which sells them various articles of consumption at a moderate price.

The Society does a large amount of works of public utility. It maintains three charitable dispensaries, one veterinary hospital, two High English Schools, one Middle English School and forty-two Primary Schools. Besides these recurring expenses, money is also spent on making and maintaining roads and bridges, bunds, burial grounds, etc., for the benefit of the public. The area is also served by an itinerant Veterinary Surgeon who treats the cultivators' cattle free. For co-operative propaganda work a grant of Rs. 3,000 is made to the Bengal Co-operative Organisation Society. The Society also makes grants-in-aid to various institutions maintained by public bodies, missionaries or private individuals.

The employees of the Society usually receive a bonus out of the profits at the end of the year. The Society has built commodious and sanitary accommodation for them in the town and has provided them with a club. They have also a Co-operative Store of their own.

The Society has also constructed residence for the officers of the Excise and Co-operative Departments stationed in Naogaon, for which a moderate rent is charged.

The administration of the Society is vested in a Committee of 26 members, composed of the Collector as Chairman, the Subdivisional Officer as Vice-Chairman, 21 elected members and 3 members nominated by the Registrar. The work is in charge of a Deputy Chairman, a whole time officer lent from the Bengal Civil Service by the Government.

The Society also does banking work for all the co-operative institutions in the town. No other Co-operative Society has got a strong room. They all keep their funds in current deposit with this Society and receive an interest at $3\frac{1}{2}$ per cent. per annum on the minimum monthly balances. The Society keeps its own surplus funds with the Provincial Co-operative Bank as current deposit bearing 4 per cent. per annum. So, on the whole, it does not incur any loss by giving interest on current deposits to the local Societies.

The Society also finances all sister co-operative institutions requiring financial accommodation by loans and cash credits at a low rate of interest varying from 5 per cent. to $7\frac{1}{2}$ per cent.

(4) Note on Indigenous Bankers and money-lenders in the Tangail subdivision by Rai Bahadur Sasadhar Chose.

I have examined during my tour from 26th December 1929 to 1st January 1930 as many as 20 people. There is a feeling of distrust about the intentions of the Government by the appointment of the Committee. I explained to them the nature of our work but it was not possible to get systematic answers to the set questions nor were they willing to write down their statements and sign them. So I discussed with them the subjects contained in the questions and gathered as much information as was possible which I have embodied in this report. The big indigenous bankers themselves usually do not stay at home and it is their officers who do the work for them. It is practically impossible to get any information regarding the state of things which existed say a hundred years before both regarding banking and money-lending. It is only one gentleman Babu Tarak Nath Saha who gave some valuable information. This old gentleman is very respectable and truthful. He said more about money-lending. According to him, 100 years before there was practically little use of bonds not to speak of registration of bonds. The debtors took money on khata, that is, in the khata of the mahajan an account was opened for the individual debtors. In this account the amount lent was shown which sometimes used to be signed by the debtors; the subsequent payments were also shown there. The debtors were usually shy of taking loan and making repayments in presence of other people so no witness was required. There was a feeling of great trust and confidence among them. He says this was the reason why the lenders were called the mahajans. The execution of the bond is of very late origin, and with time mortgage and registration came into

existence. The rate of interest in ancient days was lower than what exists at present, but he says there was absolutely no pressure upon debtor to make payment when he is in distress.

According to him exchange of commodities used to be the method of payment instead of payment in cash.

The money-lenders and private bankers are very much disinclined to disclose their capital invested.

It did not appear that any money-lender pure and simple has failed in business. Instances are not wanting where bankers who lent money to jute dealers on hundi have suffered greatly and sometimes their business has been ruined. It is not possible to get any reliable statistics about their number.

It is chiefly the Sahas, the Telies, and in some places the Marwaries who lend money. This class of people have also other business such as petroleum, jute, cloth, paddy. They are also rent receivers and have agricultural lands.

The money is generally lent on simple bonds, mortgage bonds and handnotes and khatas. The rate of interest varies between $7\frac{1}{2}$ to 24 per cent. per annum. Much higher rate of interest is demanded in times of scarcity of money for small amounts which rise up to 75 per cent. per annum.

The rate of interest has come down in some places especially where the co-operative societies are at work. It is said by some that low rate of interest has the tendency to induce the cultivators to borrow more money and make them less inclined to make repayments.

The bankers were held in high esteem before but they are losing gradually the confidence and respect of the debtors.

The bankers know their own interests very well and their system of work is relied on by law courts. So the system may be said to be sound.

The bankers experience great difficulties in making remittances.

The hundi rate is greatly dependent upon the Imperial Bank rate where there are branches of the said Bank; in other places the rate scarcely varies from year to year but sometimes one local banker reduces the rate when he is to send large sums to Calcutta.

Many of the bankers suggest that it will help them greatly if they can be connected with all classes of bankers of the locality.

There is always a scarcity of money and many of the bankers hardly ever remain idle.

It is very true that if the private money-lenders and bankers are recognised by the Government they will secure larger clientele. They say that the little connection that the co-operative banks have with the Government has the effect of their finding preference with the depositors.

The money-lenders lend their own money. The indigenous bankers used to get deposits before but since the establishment of co-operative banks practically no deposit is made with them.

The cost of litigation is now becoming gradually higher than before. Previously, the suit used to be instituted against debtors whose debt is going to be barred but now-a-days there are very many unscrupulous debtors who after taking loans sell away their properties or make benami transfers. So the money-lenders require to sue earlier. In

such suits various kinds of objections are raised and litigation is protracted and although the money-lender ultimately succeeds he is faced with great difficulties to get back his money by execution.

It is pointed out by some that the co-operative banks are likely to get a set back on the ground that the joint liability is not favoured by honest debtors and as such the loan offices have a wide field of activities. The loan offices can do immense good to the public if some facilities are given to them by the Government, e.g., deposit of money, remittance through treasuries, etc. They further said that it takes a long time before a co-operative bank can lend money and individual wants cannot be met promptly by co-operative banks. Co-operative banks cannot help trade, industry or any individual activity. Their grievance seemed to be that the Government favours the co-operative banks and the Imperial Bank but views with suspicion and distrust the loan offices. It is also said by them that there are no grounds for such suspicion and distrust because they work under the Companies Act and the Registrar of Joint Stock Societies very scrupulously enforces all the strict rules upon them, whereas the Co-operative Societies Act do not contain such rules and those societies can as such be more lax and negligent in their work.

The gentlemen connected with the Tangail loan offices showed their satisfaction at the Committee's desire to send suggestions to the Government to help loan offices and they are prepared to come before the Committee to give their oral testimony.

Many of the questions relating to indigenous bankers and money-lenders of the questionnaire have little application in parts of Tangail where I have travelled. Tangail has no branch of the Imperial Bank. There are no great centres of trade and commerce. There are two principal crops, viz., paddy and jute. Paddy is not sufficient even for local consumption and paddy is brought in boats from Rajshahi and so the only agricultural produce that brings in money is jute. During the months of January to March the lands are cultivated and made fit for growing jute. During this time the cultivators require money. They borrow money from local mahajans, loan offices and co-operative banks. They repay during August to October when they also pay the landlord's rents and other charges and liabilities. The hats and bazars where the jute is sold by cultivators and beparies have become places of importance.

Purchasers of jute in these markets, after purchase, store them in godowns and sell them to mills and balers through Calcutta brokers. Some of the purchasers are also commission agents of the brokers.

These purchasers of jute require money for which they find financiers before the commencement of the jute season (July). These financiers are mahajans in Tangail, the Imperial Bank and other joint-stock banks. The payments in some cases are made through the sub-treasury. The Indian purchasers in Tangail find local financiers who are mostly Sahas and scarcely ever Marwaries. The payment is made upon the production of bills-of-lading and the collection is made at Calcutta. Many of the Indian purchasers have their own capital. The Marwari purchasers get finance from Calcutta. The loan offices have not yet undertaken to help jute purchasers with finance.

The finance for purchase of paddy in Rajshahi is usually obtained from local mahajans. The purchasers of paddy who go from Tangail to bring paddy in boats require small amounts. The money lent for

such purposes is paid back after sale. The outside traders also bring paddy to Tangail who sell paddy on cash payment.

The various articles which are brought from outside principally from Calcutta are bought on cash payment or on credit. There is practically no banking transaction about the same.

Tangail saries and bell-metal articles had some reputation but they are no longer of any commercial importance.

It is suggested by the persons I examined—

(1) The loans to cultivators by private money-lenders and joint-stock banks should be stamp free and they may be registered without cost as is allowed in cases of loans by co-operative banks.

(2) In respect of limitation it is suggested that payment by one of the debtors should be binding against all.

(3) In case of non-payment of debts to loan offices some summary remedy should be allowed as is allowed for the realisation of co-operative debts.

(4) The private bankers may be allowed to do transactions in cases of hundies through the local treasuries.

(5) Government may help the approved loan offices and joint-stock banks with loans at low rates of interest and with the deposit of its money.

(6) Loan on handnotes should bear one anna stamp and not as amended by the Stamp Act.

(7) The C. S. record should be the final paper for the ascertainment of the persons who own the land mortgaged and no claim by persons other than those should be allowed in law.

(8) A money-lender who is not an agriculturist should get all the rights of a raiyat when the land is purchased by him in execution of money or mortgage decree.

(9) Deposit of money by co-operative banks to other classes of bankers should be allowed.

(5) Note on the financing of the tobacco crop in the district of Rangpur.

On the 28th of January last the Committee visited the Burirhat Government tobacco farm in the district of Rangpur. The farm was established in the year 1907, though the actual work did not commence till August 1908. The total area of the farm at present is 58 acres approximately, of which about 32 acres are under tobacco cultivation, the rest being used for other farm purposes. The tobacco area is divided into 4 plots of 8 acres each, and in any particular year tobacco is actually grown only in one of these plots. Thereafter the cultivated plot gets rest for a period of 3 years, during which time it is

used for such purposes as may be necessary to recuperate its productive powers. The other three plots are cultivated in the three following years in succession.

The common variety of tobacco in the district of Rangpur is named Bhengi and Matihari but the farm has been trying to find out the suitability of other varieties of tobacco leaves, both local and exotic, for the purposes of making cigarettes and cigars. The farm varieties are Bhengi, Matihari, Manilla, Sumatra, Pennsylvania and Burmese Havana. Manilla and Pennsylvania are used as fillers, while Sumatra and other varieties are used for purposes of wrapper.

The average produce per bigha and the cost of its production, as well as the price per maund are shown below. Separate figures are given for cultivation inside and outside the farm:—

		Produce per bigha in maunds.		Cost of production per bigha.		Price per maund.
		Farm.	Outside.	Farm.	Outside.	
				Rs.	Rs.	
Bhengi	..	5 to 6	5 to 6	55	35	8 to 40
Matihari	..	3 to 4	4 to 5	55	35	5 to 33
Manilla	..	4 to 5	4	65 to 70	50	44
Sumatra	..	4	4	65 to 70	50	44
Pennsylvania	..	4 to 5	4 to 5	65 to 70	50	44
Burmese	..	4 to 5	4 to 5	65 to 70	50	44

Bhengi is mostly sent to Burma, Matihari to Assam and Bengal, while the improved varieties have market in Calcutta, Madras and other places. The improved varieties are being introduced in this district through the farm. For some years, cheroots used to be manufactured in the Burirhat farm itself and there was good demand for the farm cheroots in the market, but cheroots are no longer manufactured in the farm. The entire production of the farm, it is said, is now purchased by a Calcutta firm named Messrs. A. K. Tennent & Co. of B5, Clive Buildings, Calcutta, at a price fixed beforehand. Through the farm Mr. Tennent is said to be introducing cultivation of improved varieties on certain terms. Mr. Tennent advances money to the cultivators through his local agent who for all practical purposes works under the supervision of the Agricultural officers of the farm. At present there is only one man, whose business is mainly to keep accounts of the money advanced to the cultivators. Those who take advances have not to pay any interest for such advances but have to enter into agreement to sell the entire production of improved tobacco leaves to Mr. Tennent at a rate fixed under terms of the contract. This rate is determined by Messrs. Tennent & Co. and has either to be accepted or rejected without any modification. The agreement is a printed one. People who will not take advances are given free manures, but those who take advances can get manures at cost prices. The seeds are supplied by the purchaser. A cultivator who accepts these conditions signs the printed agreement. The agreement system was introduced 2 years ago though actual work under the agreement has begun only this year. For all practical purposes, the selection of cultivators and

all other works are done by the officers of the Agricultural Department who have to look after the selection of cultivators, the grant of seeds, the supervision of cultivation and the curing of leaves. The man, who works as the agent of Messrs. Tennent & Co. and is paid, it is said, a sum of Rs. 25 per month, has only to keep the accounts of the advances granted and the manures given to the people, while all other works including maintenance of records are done by the Agricultural officers. This year it is expected that about 400 maunds of tobacco leaves will be supplied to Messrs. Tennent & Co. from the farm as well as from the cultivators. It is said that Mr. Tennent has entered into some sort of agreement with the Secretary of State for India for tobacco cultivation. We found a number of agreements lying in the office of the farm after being signed by Mr. Tennent. The substance of the agreement is noted below:—

“This deed of agreement entered between Mr. A. K. Tennent, hereinafter described as the “First party” and which expression shall include his heirs, administrators and assigns, and.....hereinafter described as the cultivator, doth hereby covenant that whereas the “First party” has entered into an agreement with the Secretary of State for India in Council for the cultivation of tobacco, and whereas the “Cultivator” having agreed to cultivate tobacco for and on behalf of the “First party” under the terms and conditions set forth herein it be known—

(1) That the first party shall supply all necessary seeds to the said “cultivator” for the production of tobacco.

(2) That the said “cultivator” is prepared to sow the seeds supplied by the “First party” for the cultivation of tobacco, under the directions of the Agricultural Department of the Government.

(3)

(4) That the “First party” shall pay to the said “cultivator” the price of dried tobacco under the following rate:—

	Per maund.			
	Rs.			
No. 1 quality, 17" or more	45
No. 2 quality, 16" to 13"	35
No. 3 quality, 12" to 9"	20

It is also made known that the “First party” shall, under the request of the “cultivator,” pay an advance of 33 per cent. of the approximate price of tobacco to be grown, at the time of sowing the tobacco, and that this amount will be paid at the time of transplantation of tobacco seedlings, and that the approximate price of tobacco will be calculated at Rs. 400 per acre, and the balance will be paid at Burirhat according to the foregoing conditions after the tobacco has been supplied.

(5) That the First party shall supply to the cultivator the necessary quantity of manure at cost price under the direction of the Agriculture Department and shall deduct the cost of same at the time of agreement. But at the same time it may be made known that should any cultivator not take advance, he will be supplied with the necessary quantity of manure required for tobacco cultivation at Burirhat free of charge.

(6) That this agreement shall be in force for one year.

(7) That if through any act of God the cultivated tobacco is perished the First party shall pay the entire cost of cultivation."

Sd. A. K. Tennent.

This year a sum of Rs. 2,000 has been advanced to the cultivators. The tobacco leaves thus grown by them as also the entire tobacco production of the Burirhat farm are really sent direct to Dacca, where cheroots are made under the supervision of the Agricultural Chemist for the Government of Bengal and the finished cheroots are handed over to Mr. Tennent on terms not known at Rangpur. Cheroots were manufactured in this farm from 1914 to 1924, this is now being done at Dacca. When the factory was here, different people and even different companies purchased cheroots from the Rangpur farm. The quality of the cheroots manufactured in this farm was not then in any way inferior to the cheroots of foreign make, while the price was cheaper. It may be noted that though the farm allows the tobacco land to get periodical rest and recuperation by keeping it fallow for some time and by rotation of crops, the local people continually use the same land for the purpose of tobacco growing and we were informed that it does not deteriorate the quality or quantity of the produce. The Committee met one Gamiruddin of Kabaru, police-station Kotwali, district Rangpur, who himself locally cultivates 18 bighas of tobacco and is also a big dalal (broker) dealing in tobacco business. Tobacco leaves are sold through these dalals to merchants coming from different parts of India, mainly from Akayab, Moulmein and Rangoon. There are as many as 500 dalals in the locality and Gamiruddin is said to be a small fry among them; still he gave us an idea that his transaction annually amounts to over Rs. 50,000. Each dalal supplies tobacco to several purchasers—sometimes three or four—and it often happens that as many as 12 mahajans stay in the house of one dalal for days for purchasing tobacco leaves. The figures supplied before as to the cost of production represent the estimate supplied by the Superintendent of the farm. An attempt was made to check the cost of production through this man, but the man had no idea as to his cost. This year he has 7 bighas of Sumatra, 4 bighas of Matihari and 7 bighas of Bhengi tobacco. The market according to him very greatly fluctuates and Bhengi was sold last year at even Rs. 40 per maund. One mahajan attempted to corner market by purchasing the largest amount of supply available in the market and the effect of it was to raise the market immediately. These dalals, as they are locally called, receive commission to the extent of about 4 to 6 annas per maund from both sides. The weight is as follows:—90 tolas make one seer, and 40 seers make a maund.

The mahajans who purchase tobacco leaves locally supply them to manufacturing firms and traders in various places and generally make a profit of Re. 1 to Rs. 10 per maund. There are village mahajans in the villages who advance money. They are also dealers in tobacco and the tenants have to give additional weight of 2 seers per maund to the mahajans and generally gets Rs. 2 to Rs. 4 per maund less than the usual price. In jute also a dhalta of 2 seers per maund is charged. The average rate of interest in the village is 2 pice to 3 pice per rupee per month, though it comes down at times to 2 per cent. per mensem.

(6) Rates of interest on loans advanced by a money-lending firm at Adamdighi in the district of Bogra, from 1308 B. S. to 1336 B. S., i.e., from 1900 to 1929 A. D., kindly supplied by one of the partners.

Serial No.	Date.	Nature of security.	Amount of loan.	Interest per cent. per mensem.
			Rs.	Rs. A.
1	1308 B. S. 12th Aswin	Mortgage ..	1,000	0 12
2	1310 B. S. 23rd Kartik	Ditto ..	130	1 8
3	1310 B. S. 15th Agra-hayan.	Ditto ..	400	1 5
4	1311 B. S. 16th Magh ..	Ditto ..	51	2 0
5	1312 B. S. 14th Aswin	Ditto ..	400	1 8
6	1312 B. S. 25th Paus ..	Ditto ..	29	2 0
7	1313 B. S. 4th Jaistha	Ditto ..	99	2 0
8	1313 B. S. 9th Jaistha	Ditto ..	180	1 10
9	1313 B. S. 27th Jaistha	Ditto ..	70	0 12
10	1314 B. S. 31st Jaistha	Simple bond	55	2 0
11	1314 B. S. 27th Magh ..	Mortgage ..	133	1 0
12	1314 B. S. 27th Magh ..	Ditto ..	133	1 0
13	1314 B. S. 27th Magh ..	Ditto ..	134	1 0
14	1314 B. S. 27th Magh ..	Ditto ..	200	1 0
15	1315 B. S. 3rd Chaitra	Ditto ..	200	1 8
16	1315 B. S. 25th Baisak	Ditto ..	75	1 12
17	1315 B. S. 1st Jaistha ..	Simple bond ..	10	2 0
18	1315 B. S. 13th Sraban	Mortgage ..	600	1 0
19	1316 B. S. 1st Asarh ..	Simple bond ..	50	2 8
20	1316 B. S. 1st Asarh ..	Ditto ..	70	2 8
21	1317 B. S. 17th Aswin	Mortgage ..	500	1 10
22	1317 B. S. 12th Agra-hayan.	Ditto ..	75	2 0
23	1317 B. S. 1st Chaitra ..	Ditto ..	900	1 0
24	1318 B. S. 15th Bhadra	Ditto ..	900	1 8
25	1318 B. S. 20th Jaistha	Ditto ..	850	1 8
26	1318 B. S. 27th Agra-hayan.	Ditto ..	1,000	0 10
27	1318 B. S. 26th Magh ..	Ditto ..	100	1 12
28	1318 B. S. 1st Agra-hayan	Simple bond ..	48	1 9
29	1319 B. S. 25th Magh ..	Mortgage ..	199	1 8
30	1319 B. S. 26th Falgoon	Simple bond ..	27	2 0
31	1320 B. S. 24th Asarh ..	Mortgage ..	1,000	0 12
32	1320 B. S. 26th Paus ..	Ditto ..	400	1 4
33	1320 B. S. 14th Falgoon	Ditto ..	300	0 14
34	1320 B. S. 9th Asarh ..	Simple bond ..	50	2 0
35	1320 B. S. 19th Magh ..	Ditto ..	16	3 2
36	1320 B. S. 11th Falgoon	Ditto ..	125	2 0
37	1321 B. S. 2nd Baisak ..	Ditto ..	100	1 8
38	1321 B. S. 18th Jaistha	Mortgage ..	50	1 8

Serial No.	Date.	Nature of security.	Amount of loan.	Interest per cent. per mensem.
			Rs.	Rs. A.
39	1321 B. S. 28th Jaistha	Simple bond ..	25	2 0
40	1321 B. S. 10th Asarh ..	Ditto ..	27	0 8
41	1321 B. S. 26th Asarh ..	Mortgage ..	32	2 0
42	1321 B. S. 29th Aswin	Ditto ..	392	1 8
43	1321 B. S. 28th Kartik	Ditto ..	2,000	1 6
44	1321 B. S. 28th Kartik	Simple bond ..	200	1 5
45	1321 B. S. 16th Falgoon	Ditto ..	50	1 10
46	1322 B. S. 5th Jaistha	Ditto ..	25	2 0
47	1322 B. S. 28th Paus ..	Ditto ..	50	2 0
48	1322 B. S. 12th Jaistha	Note of hand	131	1 0
49	1322 B. S. 29th Baisak	Mortgage ..	637	1 0
50	1322 B. S. 2nd Falgoon	Ditto ..	432	1 0
51	1322 B. S. 24th Falgoon	Simple bond ..	250	1 0
52	1323 B. S. 12th Jaistha	Mortgage ..	75	2 0
53	1323 B. S. 24th Asarh ..	Ditto ..	300	1 12
54	1323 B. S. 8th Agrahayan	Ditto ..	2,000	1 4
55	1323 B. S. 28th Falgoon	Ditto ..	25	2 0
56	1323 B. S. 22nd Asarh ..	Note of hand	200	1 8
57	1324 B. S. 6th Baisak ..	Mortgage ..	650	1 4
58	1324 B. S. 27th Baisak	Ditto ..	200	1 4
59	1324 B. S. 17th Baisak	Simple bond ..	50	2 0
60	1324 B. S. 28th Asarh ..	Ditto ..	10	3 2
61	1325 B. S. 18th Srahan	Mortgage ..	625	1 8
62	1325 B. S. 6th Aswin ..	Simple bond ..	30	2 0
63	1325 B. S. 6th Paus ..	Mortgage ..	80	1 12
64	1325 B. S. 2nd Falgoon	Simple bond ..	86	1 4
65	1325 B. S. 20th Chaitra	Ditto ..	21	3 2
66	1326 B. S. 25th Baisak	Mortgage ..	65	1 12
67	1326 B. S. 25th Baisak	Ditto ..	93	1 10
68	1326 B. S. 20th Asarh ..	Note of hand	5	3 2
69	1326 B. S. 21st Asarh ..	Ditto ..	200	1 8
70	1326 B. S. 17th Baisak	Mortgage ..	44	2 4
71	1327 B. S. 26th Baisak	Note of hand	59	1 9
72	1327 B. S. 8th Baisak ..	Simple bond ..	100	2 0
73	1327 B. S. 3rd Srahan ..	Mortgage ..	40	2 0
74	1327 B. S. 11th Aswin	Simple bond ..	156	1 8
75	1328 B. S. 10th Baisak	Ditto ..	37	3 2
76	1328 B. S. 22nd Magh ..	Ditto ..	10	3 2
77	1329 B. S. 1st Falgoon	Note of hand	400	1 8
78	1329 B. S. 16th Falgoon	Mortgage ..	100	1 8
79	1329 B. S. 27th Kartik	Simple bond ..	17	3 2
80	1330 B. S. 18th Jaistha	Mortgage ..	120	1 12
81	1330 B. S. 17th Jaistha	Ditto ..	100	2 8
82	1330 B. S. 5th Asarh ..	Ditto ..	397	1 12
83	1331 B. S. 12th Baisak	Ditto ..	125	1 12

Serial No.	Date.	Nature of security.	Amount of loan.	Interest per cent. per mensem.
			Rs.	Rs. a.
84	1331 B. S. 25th Falgoon	Simple bond ..	32	3 2
85	1331 B. S. 25th Falgoon	Mortgage ..	200	1 10
86	1331 B. S. 19th Chaitra	Ditto ..	200	1 12
87	1331 B. S. 25th Falgoon	Simple bond ..	32	3 2
88	1331 B. S. 25th Falgoon	Mortgage ..	200	1 10
89	1331 B. S. 19th Chaitra	Ditto ..	200	1 12
90	1332 B. S. 20th Baisak	Simple bond ..	20	3 2
91	1332 B. S. 7th Asarh ..	Note of hand	16	1 9
92	1332 B. S. 8th Asarh ..	Ditto ..	100	1 12
93	1332 B. S. 11th Agra- hayan.	Ditto ..	300	1 9
94	1333 B. S. 1st Aswin ..	Ditto ..	16	1 9
95	1333 B. S. 23rd Kartik	Ditto ..	300	1 0
96	1333 B. S. 23rd Agra- hayan.	Mortgage ..	100	1 12
97	1333 B. S. 5th Paus ..	Ditto ..	60	1 9
98	1334 B. S. 22nd Jaistha	Note of hand	30	2 0
99	1334 B. S. 30th Jaistha	Simple bond ..	10	3 2
100	1334 B. S. 19th Jaistha	Mortgage ..	100	2 0
101	1334 B. S. 6th Agraphayan	Ditto ..	150	1 14
102	1335 B. S. 11th Baisak	Ditto ..	250	1 12
103	1335 B. S. 26th Jaistha	Ditto ..	1,000	1 6
104	1335 B. S. 24th Jaistha	Ditto ..	800	1 4
105	1335 B. S. 8th Asarh ..	Simple bond ..	16	1 9
106	1335 B. S. 8th Asarh ..	Ditto ..	80	1 9
107	1336 B. S. 12th Baisak	Note of hand	250	1 10
108	1336 B. S. 14th Jaistha	Mortgage ..	80	2 0
109	1336 B. S. 8th Asarh ..	Note of hand	100	1 8
110	1336 B. S. 23rd Asarh ..	Simple bond ..	5	3 2

APPENDIX VII.

APPENDIX

Statistics of Loans

Class I.—Having working

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid up capital.
				Per cent.	Rs.
1 Calcutta ..	8-7-1896	Bhowanipur Banking Corporation, Ltd. ..	1929	6	1,25,000
2 Faridpur ..	1-3-1871	Faridpur Loan Office, Ltd. ..	1927	10	19,820
3 Jalpaiguri ..	23-5-1887	Jalpaiguri Banking & Trading Corporation, Ltd. ..	1928	50	50,000
4 Jessore ..	12-4-1876	Jessore Loan Co., Ltd. ..	1929	7	1,00,000
5 Rangpur ..	27-3-1894	Rangpur Loan Office, Ltd. ..	1929	30	47,000
Total of Class I ..			..	..	3,41,820

Class II.—Having working funds exceeding

1 Bogra ..	5-11-1874	Bogra Loan Office, Ltd. ..	1929	60	59,090
2 Calcutta ..	13-3-1909	Co-operative Hindusthan Bank, Ltd. ..	1928	(a)	1,68,444
3 Calcutta ..	16-3-1918	Bengal Central Bank, Ltd. ..	1928	15	1,68,305
4 Chittagong ..	22-11-1910	Mohi Luxmi Bank, Ltd. ..	1928	9	2,42,400
5 Faridpur ..	10-4-1911	Faridpur Bank, Ltd. ..	1928	12½	47,535
6 Jessore ..	5-7-1909	Jessore United Bank, Ltd. ..	1929	3	1,00,000
7 Khulna ..	15-9-1887	Khulna Loan Co., Ltd. ..	1925	(a)	44,660
8 Rajshahi ..	15-5-1908	Rajshahi Banking & Trading Corporation, Ltd. ..	1926	10	50,000
9 Rangpur ..	10-7-1903	North Bengal Bank, Ltd. ..	1928	20	20,000
10 Tippera ..	5-9-1922	Comilla Union Bank, Ltd. ..	1929	(a)	40,475
Total of Class II ..			..	..	9,40,849

Class III.—Having working funds exceeding

1 Bakarganj ..	17-11-1873	Barisal Loan Office, Ltd. ..	1929	4	21,325
2 Bakarganj ..	16-2-1914	Barisal Rindan Samity, Ltd. ..	1928	(a)	16,000
3 Bogra ..	2-8-1917	Bogra Bank, Ltd. ..	1927	(a)	30,375
4 Calcutta ..	26-11-1919	Indian Industrial Bank, Ltd. ..	1926	(a)	3,72,237
5 Calcutta ..	31-3-1922	Luxmi Industrial Bank, Ltd. ..	1927	(a)	1,66,127
6 Dacca ..	10-3-1914	Manickganj Loan Office, Ltd. ..	1927	45	12,500
7 Faridpur ..	28-3-1887	Madaripur Loan Office, Ltd. ..	1923	(a)	10,000
8 Jessore ..	31-5-1909	Jessore Banking & Trading Co., Ltd. ..	1928	6	71,565
9 Midnapur ..	31-3-1905	Tamluk Loan Office, Ltd. ..	1929	17	26,000
10 Mymensingh ..	2-9-1873	Mymensingh Loan Office, Ltd. ..	1929	24	80,400
11 Mymensingh ..	19-9-1883	Kishoreganj Loan Office, Ltd. ..	1929	60	40,000
12 Mymensingh ..	21-10-1916	Jamalpur Loan Office, Ltd. ..	1929	80	10,000
13 Mymensingh ..	26-4-1921	Gouripur Loan Office, Ltd. ..	1928	(a)	20,000
14 Pabna ..	8-8-1882	Pabna Bank, Ltd. ..	1928	(a)	20,000
15 Rajshahi ..	12-1-1914	Naogaon Loan Office, Ltd. ..	1927	(a)	19,500
16 Rajshahi ..	28-9-1916	Nator City Bank, Ltd. ..	1928	(a)	15,000
17 Rangpur ..	8-8-1887	Kurigram Loan Office, Ltd. ..	1929	127	20,000
18 Rangpur ..	26-7-1894	Nilphamari Loan Office, Ltd. ..	1926	(a)	40,000
19 Rangpur ..	25-10-1910	Gaibandha Loan Office, Ltd. ..	1928	40	40,000
20 Rangpur ..	18-5-1912	Gaibandha Bank, Ltd. ..	1927	40	29,950
21 Rangpur ..	27-4-1920	Nawabganj Town Bank, Ltd. ..	1927	(a)	10,000
22 Tippera ..	4-12-1901	Brahmanbaria Loan Co., Ltd. ..	1929	125	12,000
23 Tippera ..	8-10-1914	Comilla Banking Corporation, Ltd. ..	1929	15½	17,800
24 Dinabandhu ..	26-4-1918	Jagadamba Loan Co., Ltd. (Private)	1927	17	4,72,020
25 Midnapur ..	31-3-1905	Tamluk Loan Office, Ltd. ..	1929	17	20,000
26 Rangpur ..	26-7-1894	Nilphamari Loan Office, Ltd. ..	1926	(a)	40,000
Total of Class III ..			..	..	16,26,790

(a) Information

VII.

Office in Bengal.

funds exceeding Rs. 25 lakhs.

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
6,07,173	7,33,551	16,20,358	29,61,082	2,65,551	33,51,633	12,89,129	3,55,049	98,297
1,94,598	...	26,86,431	28,81,029	10,706	29,11,555	16,52,395	1,86,750	9,06,493
7,58,051	40,52,644	6,25,984	54,60,679	4,51,000	59,61,679	41,96,326	1,73,890	17,01,663
24,210	49,60,692	2,410	49,87,313	4,42,624	55,29,937	42,88,683	1,05,300	3,99,575
2,87,958	21,07,183	55,366	24,50,507	2,78,801	27,76,308	14,88,015	1,16,167	6,23,990
18,95,990	1,18,54,071	49,90,549	1,87,40,610	14,48,682	2,05,31,112	1,29,14,548	9,37,156	37,30,018

Rs. 10 lakhs but not exceeding Rs. 25 lakhs.

70,342	17,71,997	2,97,078	21,39,417	40,145	22,38,592	16,37,425	78,765	1,73,758
(a)	(a)	(a)	14,98,103	85,000	17,51,547	21,43,064	1,01,058	1,84,305
(a)	(a)	(a)	16,23,357	90,000	18,81,662	12,66,725	2,39,339	3,82,264
(a)	(a)	(a)	7,59,933	1,15,000	11,17,333	8,80,265	..	2,70,612
(a)	(a)	(a)	10,14,151	24,050	10,85,736	7,86,711	500	1,74,533
8,333	8,56,867	6,059	8,71,259	1,66,202	11,37,461	7,88,555	50,200	1,68,802
(a)	(a)	(a)	14,67,447	25,181	15,37,288	18,41,994	5,550	75,698
3,57,048	5,76,666	1,102	9,34,816	31,248	10,16,064	6,85,239	..	3,45,961
15,179	9,41,631	2,35,051	11,91,861	31,954	12,45,815	10,01,738	5,000	90,174
..	..	..	13,37,542	90,000	14,68,017	12,31,808	44,991	1,57,967
4,50,902	41,47,161	5,39,290	1,28,37,886	6,98,780	1,44,77,515	1,22,63,424	5,25,453	19,64,069

Rs. 5 lakhs but not exceeding Rs. 10 lakhs.

85,814	4,32,053	1,035	5,18,902	61,400	6,01,627	5,02,390	..	35,827
23,098	7,08,325	1,26,501	8,57,924	7,652	8,81,576	7,80,011	..	10,091
57,884	4,09,016	3,971	4,70,871	10,034	5,11,280	4,21,346	778	68,913
52,028	2,000	793	54,821	2,69,222	6,96,280	1,40,822	..	2,175
(a)	(a)	(a)	5,00,899	23,000	6,90,026	3,65,980	..	1,51,934
71,240	4,45,615	..	5,16,855	22,400	5,51,755	3,90,405	7,500	1,02,538
72,612	5,34,195	..	6,06,807	41,254	6,58,061	4,87,086	20,000	27,775
38,397	6,42,956	2,800	6,79,153	75,456	8,26,174	6,24,540	3,300	96,847
2,18,033	2,67,865	5,937	4,91,835	30,000	5,41,835	38,901	..	1,17,394
..	2,31,069	1,23,377	3,54,446	66,286	5,01,132	3,40,689	5,000	87,651
16,715	4,15,905	2,15,320	6,47,940	30,000	7,67,940	6,33,913	15,010	1,35,578
2,16,442	3,07,918	1,387	5,24,747	54,000	5,88,747	4,33,690	25,562	1,21,789
1,67,188	3,32,823	11,091	5,11,052	18,202	5,49,254	3,61,256	6,640	1,35,682
..	3,79,468	4,18,073	4,92,540	21,652	5,34,093	3,18,145	..	30,374
2,06,786	3,10,519	917	5,17,522	45,758	5,32,780	3,67,500	..	46,666
..	3,51,030	2,53,793	6,04,823	25,199	6,45,022	4,55,808	..	1,60,448
89,368	5,79,724	11,312	6,30,404	70,000	7,20,404	2,89,520	5,400	90,927
1,21,366	3,92,019	24,894	5,38,279	52,137	6,30,416	3,74,055	19,737	1,04,799
85,233	4,27,938	..	5,13,171	61,845	6,18,016	5,21,331	..	30,552
(a)	(a)	(a)	6,80,033	43,000	7,52,983	4,62,742	..	2,76,754
82,441	4,45,232	776	5,28,449	6,969	5,45,418	4,24,460	3,337	1,56,815
52,603	4,97,739	1,144	5,51,486	1,76,380	7,39,846	5,52,034	53,027	59,565
(a)	(a)	(a)	8,65,747	11,450	8,94,997	7,23,452	25,814	1,62,007
2,18,033	2,67,865	5,937	3,46,799	62,326	8,81,145	6,59,816	27,152	49,501
1,21,366	3,92,019	24,894	4,91,835	30,000	5,41,835	3,84,231	..	1,17,394
..	..	..	5,38,279	52,137	6,30,416	3,74,055	19,737	1,04,799
19,40,597	84,73,293	12,28,252	1,40,35,620	14,29,639	1,70,83,058	1,14,23,168	2,37,974	24,84,845

not available.

Class IV.—Having working funds exceeding.

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid up capital.
				Per cent.	Rs.
1 Bogra ..	31-10-1913	Noakhali Loan Office, Ltd.	1926	30	50,000
2 Bogra ..	21-3-1917	Selbaras Bank, Ltd.	1929	37½	25,500
3 Bogra ..	19-11-1917	Adamdighi Mahajan Samity, Ltd.	1928	35	41,250
4 Bogra ..	15-10-1919	Sherpur Sammliani Loan Office, Ltd.	1928	(a)	19,998
5 Bogra ..	22-11-1919	Bogra Banking & Trading Co., Ltd.	1927	(a)	29,095
6 Bogra ..	19-7-1920	Panchbibbi Industrial Bank, Ltd.	1927	(a)	68,792
7 Bogra ..	27-9-1920	Santabar Banking & Trading Co., Ltd.	1928	30	14,000
8 Calcutta ..	29-11-1920	Industrial Loan Co., Ltd.	1927	(a)	13,015
9 Calcutta ..	20-5-1921	Mahajan Bank & Trading Co., Ltd.	1927	(a)	28,260
10 Calcutta ..	4-1-1926	Bengal Banking & Trading Co., Ltd.	1928	(a)	80,893
11 Chittagong ..	19-2-1924	Chittagong Bank, Ltd.	1927	(a)	1,01,550
12 Chittagong ..	23-11-1925	Chittagong Loan Co., Ltd.	1928	(a)	24,170
13 Dacca ..	29-7-1876	Munshiganj Loan Office, Ltd.	1928	17	12,060
14 Dacca ..	8-2-1919	Bank of Dacca, Ltd.	1925	(a)	51,880
15 Dacca ..	26-5-1919	Manickganj Trading & Banking Co., Ltd.	1924	(a)	12,000
16 Darjeeling ..	5-11-1914	Siliguri Loan Office, Ltd.	1929	(a)	25,000
17 Dinajpur ..	22-1-1920	Dinajpur Loan Office, Ltd.	1928	(a)	8,592
18 Dinajpur ..	26-11-1921	Raseya Trading & Banking Co., Ltd.	1929	22	99,980
19 Dinajpur ..	3-2-1921	Thakurgaon Union Bank, Ltd.	1927	(a)	25,150
20 Dinajpur ..	10-6-1921	Santosh Bank, Ltd.	1928	(a)	8,750
21 Dinajpur ..	14-10-1921	Dinajpur Hitaisini Bank, Ltd.	1928	(a)	9,182
22 Faridpur ..	3-7-1908	Lakshmikole Rajbari Loan Office, Ltd.	1928	(a)	25,000
23 Faridpur ..	28-5-1909	Rajbari Bank, Ltd.	1928	61	20,000
24 Faridpur ..	22-3-1911	Madaripur Bank, Ltd.	1928	(a)	10,000
25 Faridpur ..	10-6-1911	Gopalganj Banking & Trading Co., Ltd.	1929	15	10,000
26 Faridpur ..	29-1-1917	Madaripur Popular Banking & Loan Co., Ltd.	1928	21	10,000
27 Faridpur ..	29-1-1917	Madaripur General Bank, Ltd.	1928	(a)	10,000
28 Faridpur ..	25-6-1917	Bhanga Loan Office, Ltd.	1929	15	15,000
29 Faridpur ..	25-5-1919	Madaripur Commercial Bank, Ltd.	1928	(a)	50,000
30 Howrah ..	17-11-1897	Uluberia Loan Office Co., Ltd.	1928	(a)	66,840
31 Jalpaiguri ..	26-7-1911	Jotedars Banking & Trading Corporation, Ltd.	1927	8	64,310
32 Jalpaiguri ..	21-8-1911	Bengal Duars Bank, Ltd.	1927	10	78,928
33 Jalpaiguri ..	11-12-1917	Arya Bank, Ltd.	1927	(a)	40,000
34 Jalpaiguri ..	2-1-1902	Raikut Industrial Bank, Ltd.	1928	(a)	3,04,184
35 Jessore ..	1-3-1902	Narail Loan Co., Ltd.	1929	10	14,120
36 Jessore ..	11-3-1914	Jhenida Loan Office, Ltd.	1928	8	25,000
37 Khulna ..	23-8-1920	Union Bank of Khulna, Ltd.	1926	(a)	50,450
38 Murshidabad ..	28-11-1921	Berhampore Bank, Ltd.	1928	(a)	13,424
39 Mymensingh ..	2-9-1873	Mymensingh Loan Office, Ltd.	1928	33	80,400
40 Mymensingh ..	14-11-1913	Singhiani Loan Office, Ltd.	1929	60	20,000
41 Mymensingh ..	14-2-1919	East Bengal Rural Bank, Ltd.	1928	12½	50,000
42 Mymensingh ..	31-1-1921	Mymensingh Industrial Loan Office, Ltd.	1928	(a)	28,331
43 Mymensingh ..	26-4-1921	Gouripur Loan Office, Ltd.	1927	(a)	20,000
44 Mymensingh ..	29-11-1921	Dewanganj Bank & Industry, Ltd.	1929	40	15,000
45 Mymensingh ..	24-2-1925	Shibganj Loan Co., Ltd.	1928	(a)	7,595
46 Mymensingh ..	28-9-1926	Jamalpur Bank, Ltd.	1929	50	5,000
47 Mymensingh ..	20-12-1926	Bengal United Bank, Ltd.	1929	40	9,270
48 Nadia ..	12-12-1896	Kumarkhali Banking Corporation, Ltd.	1929	(a)	18,610
49 Nadia ..	15-2-1912	Kumarkhali Co-operative Credit Association, Ltd.	1927	(a)	12,200
50 Nadia ..	12-10-1912	Kostha Loan Office, Ltd.	1928	(a)	20,040
51 Noakhali ..	2-3-1885	Noakhali Loan Office, Ltd.	1928	(a)	15,000
52 Pabna ..	21-7-1897	Pabna Dhan Bhandar Co., Ltd.	1928	(a)	40,000
53 Pabna ..	4-3-1911	Sersaganj Loan Office, Ltd.	1928	(a)	9,500
54 Pabna ..	18-9-1919	Porjana Loan Office, Ltd.	1927	(a)	13,580
55 Rajshahi ..	18-9-1913	Rajshahi Lakshmi Bank, Ltd.	1928	(a)	11,000
56 Rajshahi ..	11-12-1913	Rajshahi Peoples' Bank, Ltd.	1928	(a)	10,000
57 Rajshahi ..	29-6-1916	Naogaon Union Bank, Ltd.	1928	10	15,000
58 Rajshahi ..	19-4-1917	Nator United Bank, Ltd.	1928	(a)	17,000
59 Rajshahi ..	20-12-1917	Naogaon Islamia Bank, Ltd.	1928	(a)	7,912
60 Rajshahi ..	15-10-1920	Naogaon Town Bank, Ltd.	1928	22	59,920
61 Rajshahi ..	8-4-1921	Par Naogaon Bank, Ltd.	1928	40	7,000
62 Rajshahi ..	23-6-1923	Rajshahi City Bank, Ltd.	1929	80	6,000
63 Rajshahi ..	27-4-1925	Naogaon Atrai Bank, Ltd.	1928	(a)	1,04,058
64 Rajshahi ..	4-4-1926	Nator Kamala Bank, Ltd.	1928	(a)	12,000
65 Rangpur ..	8-6-1896	Kurigram Bank, Ltd.	1928	(a)	20,000
66 Rangpur ..	28-8-1910	Rangpur Bank, Ltd.	1927	(a)	35,200
67 Rangpur ..	16-5-1912	Mahiganj Loan Office, Ltd.	1928	(a)	18,000
68 Rangpur ..	6-11-1912	Badarganj Loan Office, Ltd.	1928	(a)	11,000

(a) Information

Rs. 1 lakh but not exceeding Rs. 5 lakhs.

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
7,803	2,57,083	1,04,179	3,69,015	50,000	4,69,015	3,70,810	3,000	83,617
48,985	1,94,783	150	4,43,868	9,446	2,78,814	2,31,060	..	4,373
69,148	1,97,915	224	1,77,287	6,888	2,25,425	2,19,556	..	11,259
64,833	96,668	52	1,61,553	20,148	2,01,699	1,44,021	5,940	51,871
25,315	97,580	594	1,23,439	2,000	1,54,444	-8,618	..	13,311
24,069	1,15,917	1,163	1,41,149	1,162	2,11,103	1,99,585	..	14,223
..	96,384	1,500	97,884	6,300	1,18,184	97,430	..	11,382
..	91,950	15	91,965	2,000	1,06,980	1,18,011	..	..
24,307	1,53,495	22,019	1,99,821	..	2,28,081	1,61,137	50,044	22,007
(a)	(a)	87,947	87,947	6,500	1,25,250	1,49,714	4,830	34,952
(a)	(a)	(a)	52,294	1,725	1,56,569	82,956	..	..
(a)	(a)	(a)	75,173	4,000	1,03,343	81,701	..	19,142
..	..	1,47,141	1,47,141	15,258	1,74,459	1,52,345	..	18,079
97,394	2,30,917	41,836	2,70,247	..	4,22,047	4,77,274	..	693
1,46,329	38,125	1,31,860	3,16,114	1,801	3,30,115	1,25,111	..	27,393
31,993	60,172	..	91,565	..	1,16,565	1,04,747	..	29,736
42,108	2,48,444	..	2,90,552	17,065	3,11,209	2,21,096	2,500	71,755
1,301	5,749	..	7,050	..	1,07,040	1,09,406	..	8,785
5,191	81,754	1,772	88,717	9,225	1,23,092	1,00,544	..	30,123
17,004	75,521	1,733	94,258	5,302	1,08,310	39,086	6,750	22,162
..	1,28,052	1	1,28,053	5,637	1,42,872	1,10,505	..	18,491
64,297	1,62,574	..	2,26,871	9,479	2,61,350	1,86,200	9,975	36,445
75,161	2,47,605	4,609	3,27,375	8,222	3,55,597	2,06,047	7,950	41,681
24,173	1,39,753	278	1,64,204	21,252	1,95,456	99,740	5,000	25,690
17,632	1,33,949	5,326	1,56,907	19,987	1,86,894	1,07,283	..	30,565
64,892	2,27,848	3	2,82,743	11,700	3,04,443	2,07,620	13,925	55,769
15,818	85,688	8	1,01,514	6,212	1,17,726	83,357	7,500	16,293
47,216	1,25,468	503	1,73,187	16,100	2,04,287	1,69,378	2,000	42,182
24,872	93,848	400	1,19,120	12,000	1,81,120	87,376	8,000	10,986
11,612	52,245	..	63,857	20,302	1,50,999	56,922	1,100	1,391
91,759	2,71,785	813	3,64,357	44,500	4,73,167	4,47,790	..	33,276
11,767	26,495	7,953	46,185	23,029	1,43,142	1,10,115	..	22,891
60,802	1,06,635	23,680	1,91,067	26,947	2,58,014	2,43,143	..	28,506
6,515	11,450	1,608	19,574	..	3,23,758	1,11,900	8,147	8,560
..	9,129	10,498	1,09,317	13,145	1,29,832	98,721	225	24,263
..	1,45,256	83	1,45,339	800	1,71,139	1,45,211	12,476	18,308
23,309	27,048	..	50,357	400	1,01,207	47,949	..	9,373
31,525	1,47,728	..	1,79,253	4,920	1,97,597	91,626	..	31,892
1,16,250	1,23,920	1,01,519	3,41,689	63,825	4,85,914	3,35,904	5,000	79,452
10,916	2,53,873	59,035	3,23,824	4,000	3,88,824	3,39,149	..	2,674
185	2,18,257	61,626	2,80,068	10,000	3,40,068	2,66,849	..	86,832
..	1,17,799	354	1,18,153	6,875	1,53,359	1,25,658	1,942	28,777
95,720	2,61,138	8,038	3,64,896	10,422	3,95,318	3,45,063	5,896	..
44,877	66,091	617	1,11,585	31,000	1,57,585	1,34,782	..	12,347
32,228	49,591	1,577	83,396	10,100	1,01,091	96,404	..	17,481
50,204	70,447	3,835	1,24,486	7,000	1,36,486	1,44,131	..	3,303
9,260	91,814	1,48,764	2,49,838	4,000	2,63,108	75,540	..	1,93,492
(a)	(a)	(a)	2,41,026	20,541	3,80,177	2,91,193	3,956	39,548
13,095	1,50,249	411	1,63,755	20,000	1,96,555	1,47,873	..	22,517
138	1,90,560	74	1,90,772	12,229	1,63,041	1,15,505	..	3,269
..	30,310	12,823	3,83,335	30,432	4,28,770	3,85,905	29,000	3,204
2,23,619	64,366	19,950	3,27,956	33,347	4,01,302	60,194	..	1,238
25,356	2,39,014	293	2,64,633	84,119	3,47,252	2,29,245	6,435	43,037
20,109	81,019	..	1,01,123	4,000	1,19,238	58,401	..	63,489
49,684	92,285	22	1,42,191	23,568	1,76,759	1,42,935	182	20,398
88,084	1,64,366	1	2,52,451	14,586	2,77,037	2,39,131	1,365	36,215
49,617	3,63,659	1,152	4,14,428	67,633	4,97,061	3,47,956	..	49,623
20,401	75,667	..	96,068	3,786	1,16,854	1,05,561	..	17,414
20,809	67,692	..	88,001	5,834	1,01,747	79,643	..	25,069
62,209	1,88,406	10,135	2,60,750	..	3,20,670	2,93,452	..	41,527
95,396	1,42,103	..	2,37,499	12,652	2,57,151	1,71,230	..	76,408
64,495	70,910	..	1,35,405	1,764	1,43,169	1,01,050	..	48,509
49,171	40,784	14,100	1,04,055	800	2,08,914	1,06,490	..	9,593
82,558	70,638	7,000	1,10,196	1,122	1,23,318	99,536	..	28,703
(a)	(a)	(a)	1,16,485	12,800	1,49,285	1,18,206	17,500	..
(a)	(a)	(a)	1,97,333	7,000	2,39,533	1,25,337	..	19,648
25,536	1,39,212	..	1,64,743	13,133	1,95,881	1,81,152	..	26,774
13,254	2,22,520	1,589	2,37,363	12,000	2,60,363	1,65,058	..	17,394

not available.

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid up capital.
				Per cent.	Rs.
60 Rangpur ..	10-6-1913	Naldanga Bank, Ltd.	1927.	25	17,800
70 Rangpur ..	10-8-1913	Nilphamari Commercial Bank, Ltd.	1928	24	10,000
71 Rangpur ..	22-6-1917	Kurigram Union Loan Co., Ltd.	1928	(a)	7,486
72 Rangpur ..	14-10-1919	Saidpur Commercial Bank, Ltd.	1927	9	79,520
73 Rangpur ..	8-6-1920	North Bengal Industrial Bank, Ltd.	1926	21	21,612
74 Rangpur ..	5-11-1923	Union Loan Co. (Jamaipur), Ltd.	1927	100	5,000
75 Rangpur ..	18-9-1924	Rangpur National Bank, Ltd.	1929	(a)	9,880
76 Tippera ..	25-3-1871	Tippera Loan Office, Ltd.	1928	13½	1,00,000
77 Tippera ..	10-2-1914	Brahmanbaria Lakshmi Bank, Ltd.	1928	25	12,000
78 Tippera ..	24-4-1922	Girija Bank, Ltd.	1928	(a)	12,850
79 Tippera ..	16-4-1923	Pioneer Bank, Ltd.	1928	(a)	17,454
80 Tippera ..	13-8-1924	Bengal Traders' Bank, Ltd.	1927	(a)	17,835
81 Tippera ..	15-3-1926	Chandpur Bank, Ltd.	1927	(a)	7,594
82 Tippera ..	29-1-1929	East Bengal Bank, Ltd.	1928	(a)	25,860
83 24-Parganas	23-11-1901	Basirhat Loan Co., Ltd.	1928	(a)	20,000
Total of Class IV					25,56,211

Class V.—Having working funds exceeding

1 Bakarganj	25-4-1916	Khayerabad Loan Office, Ltd.	1928	(a)	15,485
2 Bakarganj	18-2-1921	Solok Loan Office, Ltd.	1927	6	13,811
3 Bogra ..	17-2-1919	Shariatkandi Loan Co., Ltd.	1928	22½	22,000
4 Bogra ..	23-6-1921	Santahar Union Co., Ltd.	1928	(a)	18,340
5 Bogra ..	5-9-1921	Bogra United Bank, Ltd.	1928	22	10,785
6 Bogra ..	4-1-1922	Gosahari Loan Co., Ltd.	1927	(a)	25,350
7 Bogra ..	17-11-1924	Barendra Bank, Ltd.	1927	(a)	16,802
8 Bogra ..	26-11-1925	Kalitola Loan Co., Ltd.	1928	20	18,950
9 Dacca ..	20-3-1880	Dacca Loan Office, Ltd.	1928	(a)	62,200
10 Dacca ..	1-10-1920	Narayanganj Banking & Loan Co., Ltd.	1928	12	14,200
11 Faridpur ..	25-7-1919	Madaripur Local Bank, Ltd.	1927	15	10,000
12 Faridpur ..	29-1-1924	Gopalganj Krishni O'Loan Bank, Ltd.	1928	(a)	12,630
13 Faridpur ..	15-3-1924	Gosaidang Trading & Banking, Ltd.	1927	(a)	15,822
14 Jessore ..	17-6-1906	Oriental Bank, Ltd.	1927	(a)	42,638
15 Jessore ..	1-10-1920	Bengal Commercial & Industrial Bank, Ltd.	1927	(a)	3,556
16 Jessore ..	28-7-1929	Village Union Bank, Ltd.	1927	5	12,000
17 Khulna ..	3-2-1920	Khulna Banking Corporation, Ltd.	1926	(a)	25,677
18 Khulna ..	22-9-1920	Star of India Loan Co., Ltd.	1928	(a)	46,912
19 Mymensingh	11-2-1887	Tangail Loan Office, Ltd.	1928	(a)	44,310
20 Mymensingh	2-5-1888	Digipait Milita Dhan Bhandar Co., Ltd.	1928	37	32,000
21 Mymensingh	16-6-1920	Sarisabari Bank & Loan Office, Ltd.	1928	(a)	14,000
22 Mymensingh	5-8-1921	Kishorganj National Bank, Ltd.	1927	(a)	20,075
23 Mymensingh	21-11-1922	Melandaha Loan Office, Ltd.	1928	(a)	6,650
24 Mymensingh	6-3-1924	Baksganj Commercial Bank, Ltd.	1929	45	6,700
25 Mymensingh	12-2-1925	Gandha Mahajan Commercial Bank, Ltd.	1928	10	42,000
26 Mymensingh	18-3-1925	Sherpur Dayamaye Bank & Loan Office, Ltd.	1928	(a)	7,450
27 Mymensingh	7-5-1925	Patiladaha Loan Co., Ltd.	1928	(a)	4,940
28 Mymensingh	15-7-1925	Sarisabari Mahajan Bank, Ltd.	1927	(a)	5,195
29 Mymensingh	6-4-1926	Narundi Loan Co., Ltd.	1929	45	5,895
30 Mymensingh	27-9-1926	Prodyat Nagar Loan Co., Ltd.	1928	(a)	3,770
31 Mymensingh	8-7-1927	Kishorganj Lakshmi Bank, Ltd.	1929	12	25,000
32 Mymensingh	10-7-1927	Narundi Banking & Trading Co., Ltd.	1929	40	6,930
33 Nadia ..	23-12-1912	Bengal Commercial Bank, Ltd.	1929	5	42,625
34 Nadia ..	15-4-1913	Khoksa Jahipur Jubilee Bank, Ltd.	1929	10	29,565
35 Pabna ..	26-2-1919	Rara Pangashi Samabey Bank, Ltd.	1929	(a)	16,000
36 Pabna ..	6-12-1920	Udhukia Banking & Trading Co., Ltd.	1929	20	10,000
37 Pabna ..	1-9-1921	Chak Pangashi Industrial Bank, Ltd.	1929	30	8,000
38 Pabna ..	8-11-1923	Mohanpur Trading Bank, Ltd.	1928	24	9,394
39 Pabna ..	17-11-1924	Serajganj Bank, Ltd.	1928	(a)	6,885
40 Pabna ..	23-12-1919	Schal Industrial Bank, Ltd.	1928	(a)	14,535
41 Rajshahi ..	26-6-1914	Chikandi Loan Office, Ltd.	1928	(a)	16,020
42 Rajshahi ..	23-4-1923	Rajshahi City Bank, Ltd.	1928	(a)	6,000
43 Rajshahi ..	29-7-1925	Naggon Mahajan Bank, Ltd.	1927	(a)	7,000
44 Rangpur ..	13-12-1924	Zemindari Bank, Ltd.	1928	3	40,100
45 Rangpur ..	27-8-1915	Baharband Jotedars' Bank, Ltd.	1928	(a)	19,875
46 Rangpur ..	22-12-1920	Pirgacha Loan Office, Ltd.	1928	(a)	15,000
47 Rangpur ..	16-2-1921	Kaetriya Bank Co., Ltd.	1928	(a)	15,176
48 Rangpur ..	21-10-1924	Nilphamari Luxmi Bank, Ltd.	1928	(a)	7,880
49 Rangpur ..	17-3-1925	Rangpur Raiyat Bank, Ltd.	1926	(a)	24,580

(a) Information

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
..	61,545	40,968	1,02,513	8,290	1,28,603	1,06,157	..	27,550
35,018	63,602	643	99,263	5,817	1,15,080	85,014	1,500	11,367
9,623	1,09,448	1,071	1,21,042	6,265	1,34,793	1,04,957	..	27,290
40,646	1,29,136	8,920	1,78,702	7,355	2,65,577	1,55,770	..	83,008
32,747	99,453	192	1,02,392	2,061	1,26,065	99,740	..	34,522
23,769	80,607	5,996	1,10,372	7,053	1,22,425	1,26,343	..	6,414
10,769	1,06,497	..	1,17,266	1,400	1,28,546	1,17,553	..	10,945
..	83,299	1,47,220	2,30,519	52,864	3,83,383	3,90,099	1,540	7,572
10,137	2,24,930	16,656	2,51,723	15,715	2,79,438	2,18,210	5,000	44,835
..	71,248	19,000	90,248	4,307	1,07,405	85,685	..	8,832
1,911	94,491	15,931	1,12,333	3,695	1,33,432	1,20,052	..	19,027
2,200	1,16,816	23,348	1,42,364	15,806	1,76,005	1,68,897	..	19,050
(a)	(a)	(a)	92,201	1,500	1,01,295	70,489	..	21,421
8,224	3,78,656	19,917	4,06,797	18,338	4,53,995	2,88,377	1,707	20,823
15,233	7,10,644	..	2,25,877	15,789	2,61,666	75,466	4,000	11,325
25,69,628	99,25,165	13,51,641	1,47,20,946	11,35,875	1,84,13,032	1,35,82,423	2,23,385	22,98,681

Rs. 50,000 but not exceeding Rs. 1 lakh.

1,879	53,998	3,377	64,154	5,542	35,181	68,627	..	10,730
..	50,472	6,384	56,856	1,000	71,697	64,468	..	11,636
372	35,666	18,350	54,388	10,488	86,876	72,234	..	3,290
18,012	24,016	19	42,047	1,403	61,790	41,366	..	20,260
15,512	64,931	621	81,064	3,487	95,336	79,192	..	14,670
2,120	43,989	..	46,109	4,290	75,649	61,723	..	9,956
9,927	46,959	140	57,026	1,458	75,284	79,000	..	5,336
(a)	(a)	(a)	30,283	4,000	53,233	50,173	..	6,674
..	20,326	1,729	31,055	23	93,278	1,08,823	..	7,214
1,019	44,672	1	45,892	3,200	63,292	59,831	2,800	6,734
6,931	49,122	..	56,053	2,500	68,553	54,757	..	10,557
11,243	33,447	162	44,852	2,500	59,982	55,195	..	8,284
5,104	49,056	75	54,235	..	70,057	42,622	..	5,025
9,333	23,060	12,457	41,850	4,050	88,538	90,091	4,943	3,013
51,495	..	..	51,495	..	55,051	49,553	..	893
2,384	37,244	..	39,628	3,038	54,666	40,372	..	4,517
..	34,016	2,533	36,549	580	62,806	55,366	..	9,097
6,771	5,623	..	12,394	585	59,891	18,864	..	19,139
690	30,942	411	32,033	3,858	80,201	60,739	..	4,448
(a)	(a)	(a)	38,548	26,000	96,548	74,911	..	14,518
20,625	24,768	2,113	47,506	13,100	74,806	71,663	..	1,402
16,181	34,599	681	51,461	1,600	73,136	80,180	..	13,985
42,837	32,508	..	75,345	16,100	98,095	92,473	..	6,807
..	28,821	14,990	43,811	3,500	54,011	62,439	..	139
20,396	..	6,834	27,230	1,801	71,031	17,838	..	21,204
44,113	27,690	..	71,803	8,000	87,253	50,585	..	15,357
15,753	26,928	1,542	44,223	4,500	53,663	57,298	..	2,373
31,778	34,630	3,125	69,533	1,500	76,228	67,305	..	4,721
..	48,654	..	48,654	9,500	64,049	61,646	..	7,055
13,113	18,579	31,879	50,458	..	54,228	57,926	..	2,112
28,256	40,591	13,681	67,685	1,000	93,085	85,246	..	13,326
120	12,534	..	40,790	5,750	53,470	55,899	..	1,927
1,293	30,090	13,701	43,911	1,542	68,073	72,466	..	9,765
4,866	22,734	122	24,149	4,670	58,354	46,304	..	8,351
8,822	32,003	4,300	42,069	13,638	71,707	44,609	..	7,811
6,063	42,862	..	51,684	6,164	67,858	56,373	5,205	6,814
3,602	19,348	31,649	57,060	13,827	78,877	58,468	..	4,908
11,378	4,978	34,020	42,600	7,687	59,681	35,742	..	11,461
6,645	41,875	1,097	54,350	1,759	62,994	53,755	..	14,145
9,266	28,910	1,193	36,748	10,734	62,017	48,963	..	7,502
24,094	52,555	..	62,121	8,193	86,334	53,092	7,500	14,392
40,420	64,782	..	88,876	1,099	95,975	91,124	..	7,211
..	12,931	162	53,522	..	60,522	37,944	..	35,355
3,996	35,079	..	35,079	..	75,179	62,039	..	8,150
7,310	33,164	260	37,420	..	57,295	41,633	..	1,573
10,378	57,586	42	64,938	8,500	88,438	1,03,780	..	25,068
25,813	33,874	..	44,052	2,700	61,927	60,190	..	13,885
10,061	21,487	58	47,338	2,019	57,177	44,686	..	10,781
..	19,601	..	29,682	430	54,692	44,341	..	14,337

not available.

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid-up capital.
				Per cent.	Ra.
50 Rangpur ..	6-8-1925	Bamandanga Loan Office, Ltd.	1927	40	3,547
51 Rangpur ..	11-9-1925	Gaibandha Mahajan Bank, Ltd.	1928 (a)		5,000
52 Rangpur ..	7-10-1926	Assam Bengal Industrial Bank, Ltd.	1927	20	5,051
53 Tipperah ..	2-9-1911	Kaikatcha Loan Co., Ltd.	1928	18½	12,500
54 Tipperah ..	8-3-1926	Palli Mongal Bank, Ltd.	1928	10	18,000
55 Tipperah ..	26-3-1926	Brahmanbaria Mahakuma Bank, Ltd.	1928 (a)		5,325
56 Tipperah ..	30-9-1926	Tripura National Bank, Ltd.	1928	(a)	12,510
57 Tipperah ..	4-10-1926	Comilla Bank, Ltd.	1929	(a)	10,435
58 Bogra ..	23-2-1925	Bogra National Bank, Ltd.	1928	(a)	51,000
Total of Class V					10,29,535

Class VI.—Having working funds exceeding

1 Backerganj	4-9-1923	Patuakhali Loan Office, Ltd.	1929	12½	15,000
2 Bogra ..	17-11-1922	Hatsherpur Loan Office, Ltd.	1928 (a)		7,277
3 Bogra ..	27-9-1924	Bogra Kohinoor Bank, Ltd.	1928	35	6,710
4 Bogra ..	31-8-1925	Sonatala Loan Office, Ltd.	1929	20	10,707
5 Bogra ..	15-9-1925	Durgahatta Loan Co., Ltd.	1929 (a)		12,500
6 Bogra ..	17-3-1926	Gossairbari Mahajan Bank, Ltd.	1928	20	17,200
7 Bogra ..	17-3-1926	Sherpur Bank, Ltd.	1928 (a)		6,763
8 Bogra ..	25-6-1926	Kutabpur Commercial Bank, Ltd.	1927	10	14,776
9 Bogra ..	8-7-1926	Raikkali Loan Office, Ltd.	1928	15	10,025
10 Bogra ..	27-8-1926	West Bogra Bank, Ltd.	1928	15	6,000
11 Bogra ..	2-9-1926	Basipur Commercial Bank, Ltd.	1928	20	4,860
12 Calcutta ..	2-1-1925	Trade Union Loan Co., Ltd.	1927 (a)		24,321
13 Chittagong	29-11-1927	Eastern Union Bank, Ltd.	1928 (a)		10,170
14 Dacca ..	2-3-1922	East End Bank, Ltd.	1926 (a)		25,406
15 Dacca ..	12-3-1923	Manickganj Industrial Bank, Ltd.	1927	15	7,490
16 Dinajpur ..	20-1-1928	Birampur Bank, Ltd.	1928	Nil	13,680
17 Faridpur ..	7-2-1919	Palong Loan Co., Ltd.	1929	4	20,000
18 Faridpur ..	3-11-1920	Mustafapur Banking and Trading Co., Ltd.	1927 (a)		16,027
19 Faridpur ..	4-7-1927	Gopalganj Industrial Bank, Ltd.	1929	Nil	5,100
20 Jalpaiguri	7-7-1911	Alipur Duar Banking Corporation, Ltd.	1928	3	31,225
21 Khulna ..	22-8-1922	Khulna Mercantile Bank, Ltd.	1927 (a)		27,972
22 Murshidabad	14-10-1920	Murshidabad Loan Office, Ltd.	1928 (a)		10,376
23 Mymensingh	26-7-1887	Ghatail Sammillan Dhan Bhandar, Ltd.	1925 (a)		26,000
24 Mymensingh	16-5-1910	Itail Loan Office Co., Ltd.	1928 (a)		20,000
25 Mymensingh	3-1-1921	Bajitpur Industrial Loan Office, Ltd.	1929	10	12,978
26 Mymensingh	29-11-1924	Jamalpur Merchants Bank, Ltd.	1927 (a)		3,320
27 Mymensingh	14-2-1925	Narayampur Bank and Loan Office, Ltd.	1929 (a)		4,410
28 Mymensingh	12-3-1925	Sherpur Loan and Commerce, Ltd.	1927 (a)		4,820
29 Mymensingh	29-1-1926	Kamala Bank, Ltd.	1928 (a)		7,150
30 Mymensingh	9-3-1926	Bahadurabad Loan and Commerce, Ltd.	1928 (a)		3,140
31 Mymensingh	11-3-1926	Shyamganj Bank, Ltd.	1928 (a)		3,605
32 Mymensingh	15-3-1926	East Bengal Mercantile Bank, Ltd.	1927 (a)		13,845
33 Mymensingh	20-3-1926	Hatbari Chapakona Loan Office, Ltd.	1928 (a)		6,915
34 Mymensingh	19-6-1921	Serajganj Industrial and Agricultural Bank, Ltd.	1927 (a)		2,640
35 Mymensingh	10-7-1926	Brahmanpara Loan Co., Ltd.	1929	25	5,763
36 Mymensingh	22-9-1926	Jamalpur Commercial Bank, Ltd.	1928 (a)		4,610
37 Mymensingh	5-10-1926	Islampur Loan Office, Ltd.	1928 (a)		3,855
38 Mymensingh	8-10-1926	Gunaritola Loan Co., Ltd.	1929	30	4,020
39 Mymensingh	28-10-1926	Jamalpur Central Loan Co., Ltd.	1928 (a)		2,405
40 Mymensingh	28-10-1926	Bausi Bangali Bank, Ltd.	1928 (a)		5,945
41 Mymensingh	9-11-1926	Digipati Officers Union Bank, Ltd.	1928 (a)		3,475
42 Mymensingh	4-1-1927	Sherpur Model Bank and Loan Office, Ltd.	1927 (a)		3,260
43 Mymensingh	8-2-1927	Kalipati Loan Co., Ltd.	1929 (a)		4,485
44 Mymensingh	8-2-1927	Narayan Bank, Limited	1928 (a)		1,600
45 Mymensingh	29-7-1927	Islampur Bank, Ltd.	1928 (a)		2,380
46 Mymensingh	12-9-1927	Gopalpur Bank, Ltd.	1929	30	3,405
47 Mymensingh	17-9-1927	Nagdasimla Loan Office, Ltd.	1929	13½	4,650
48 Mymensingh	8-12-1927	Krishna Bank, Ltd.	1929	10	7,865
49 Mymensingh	19-12-1927	Bhairab Loan Co., Ltd.	1929 (a)		16,100
50 Mymensingh	20-1-1928	Barhatta Bank, Ltd.	1929	20	4,760
51 Noakhali ..	29-9-1924	Lakshmipur Loan Co., Ltd.	1928 (a)		16,000
52 Noakhali ..	27-8-1926	Noakhali Nath Bank, Ltd.	1928 (a)		20,092
53 Noakhali ..	28-7-1927	Noakhali Baisya Barujibi Bank, Ltd.	1929 (a)		16,800
54 Faba ..	27-8-1923	Ganga Prosad Bank, Ltd.	1928	25	4,504

(a) Informant

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
27,715	49,832	..	77,457	..	81,094	63,970	..	25,739
19,258	58,684	560	78,502	1,500	85,002	57,610	..	24,553
42,627	22,612	..	65,239	2,511	70,801	34,023	..	16,905
3,551	60,106	..	63,657	12,918	89,070	74,814	..	7,701
..	59,719	5,917	65,636	5,055	89,711	84,557	..	2,071
542	36,140	13,500	50,182	4,842	61,240	61,121	..	4,908
(a) 9	(a) 40,213	(a) 1,313	41,535	1,200	53,170	49,253	..	1,16,127
530	1,690	10	2,220	..	53,220	10,761	..	7,663
6,41,222	18,76,066	2,29,008	28,68,216	2,57,534	41,55,235	34,46,636	20,448	6,72,333

Rs. 25,000 but not exceeding Rs. 50,000.

..	27,170	..	27,170	3,074	42,244	41,901	..	5,217
3,665	24,272	15	27,952	2,572	37,801	38,178	..	1,082
5,414	20,920	8,390	35,724	890	40,064	34,214	..	9,201
44	29,505	25	29,574	528	40,809	43,306	..	2,746
..	..	27,659	27,659	1,174	41,333	37,221	..	7,377
..	23,228	3,539	26,767	1,812	45,779	45,287	..	3,774
0,063	14,506	81	20,600	200	27,563	22,165	..	8,062
..	..	17,635	17,635	..	32,411	27,881	..	5,559
6,341	27,376	108	33,825	..	43,850	38,923	..	10,653
5,260	5,473	9,310	20,043	315	26,358	27,375	..	2,290
13,225	17,156	..	30,381	..	35,241	39,871	..	9,185
1,133	889	2,228	4,250	..	23,571	3,953	..	253
(a)	(a)	(a)	38,776	137	49,063	47,791	..	1,289
(a)	(a)	(a)	18,703	..	42,109	17,129	..	1,552
19,349	18,158	1,043	38,550	1,087	47,127	26,923	..	14,111
9,087	6,653	7,620	23,360	..	37,040	31,091	..	6,605
2,255	18,724	..	20,979	5,054	46,033	31,518	..	5,253
3,558	12,558	..	17,226	..	33,253	11,468	..	6,002
3,018	20,311	631	23,960	..	29,060	26,689	..	4,006
209	1,508	666	2,383	11,000	44,608	40,891	..	11,399
4,612	13,788	..	18,400	..	46,372	8,125	..	5,262
4,845	28,151	..	32,996	3,900	47,272	33,229	..	3,887
..	11,284	8,433	19,717	192	45,909	12,953	..	351
1,421	15,582	..	17,003	10,771	47,774	1,03,409	..	5,811
12	15,388	140	15,540	2,300	30,818	31,874	..	1,239
642	8,902	18,108	27,652	1,509	32,481	31,279	..	1,704
3,119	7,782	15,366	26,267	2,866	33,543	28,938	..	4,035
6,874	11,734	21,586	40,194	1,500	46,514	32,380	..	213
7,850	25,395	736	33,981	1,500	42,631	46,778	..	1,296
1,192	9,573	11,501	22,206	2,000	27,406	27,366	..	662
200	25,332	813	26,345	1,500	31,450	36,720	..	759
..	570	14,485	15,055	..	28,900	20,970	..	9,650
18,731	17,924	1,089	34,744	2,100	43,759	42,801	..	1,923
4,757	..	23,778	28,537	..	31,177	29,264	..	3,544
..	12,140	14,934	27,074	1,500	34,337	31,836	..	2,824
3,050	18,572	2,237	23,859	..	28,469	31,341	..	725
10,956	18,074	815	30,445	..	34,300	34,769	..	3,604
9,900	12,821	879	23,600	2,100	28,720	31,356	..	1,202
10,059	34,834	..	44,893	..	47,298	48,096	..	3,393
8,045	28,144	2,336	38,525	..	44,470	43,590	..	1,482
10	23,795	7,511	31,316	..	34,791	35,713	..	2,612
11,080	15,128	727	26,935	..	30,195	17,318	..	1,367
9,789	13,441	165	23,375	1,000	28,890	22,646	..	4,416
644	12,926	23,009	36,579	..	35,179	44,292	..	1,200
39	13,632	11,052	24,723	..	27,103	33,599	..	349
128	8,126	20,812	28,066	3,000	35,471	35,384	..	1,666
101	20,399	5,113	25,623	3,000	33,173	32,714	..	1,367
2,156	14,289	6,165	23,060	..	30,925	29,355	..	3,609
..	2,500	19,070	21,570	2,897	40,567	43,378	..	505
16,232	9,319	1,000	26,651	500	31,911	32,895	..	603
6,785	23,011	..	29,796	1,303	47,099	49,595	..	994
(a)	(a)	(a)	16,633	..	36,726	37,383	..	2,959
2,000	7,475	5,212	14,687	..	31,492	26,537	..	5,505
19,745	14,913	5,000	39,658	2,728	46,864	31,212	1,000	16,259

not available.

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid-up capital.
				Per cent.	Rs.
55 Rajshahi ..	21-5-1920	Chowgram Banking and Trading Co., Ltd.	1920	15	12,500
56 Rajshahi ..	17-11-1922	Hutaherpur Loan Office, Ltd. ..	1928	(a)	7,277
57 Rajshahi ..	18-3-1925	Gurudaspur Trading Bank, Ltd.	1927	(a)	10,533
58 Rajshahi ..	12-2-1927	Rajshahi Industrial Bank, Ltd. ..	1928	(a)	4,975
59 Rajshahi ..	6-4-1927	Kalam Loan Office, Ltd.	1929	(a)	14,359
60 Rajshahi ..	6-5-1927	Mahadebpur Kamala Bank, Ltd.	1929	12	5,800
61 Rangpur ..	13-9-1914	Chilmari Loan Co., Ltd.	1927	(a)	14,690
62 Rangpur ..	20-4-1917	Gaybari Loan Office, Ltd.	1928	(a)	22,500
63 Rangpur ..	27-4-1917	Belka Loan Office, Ltd.	1928	(a)	15,000
64 Rangpur ..	22-9-1922	Lalmouhath Union Bank Ltd.	1925	(a)	19,330
65 Rangpur ..	12-9-1923	Niphamari Town Bank, Ltd.	1928	(a)	8,000
66 Rangpur ..	27-7-1925	Rangpur Mahajan Bank, Ltd.	1927	(a)	13,460
67 Rangpur ..	20-10-1925	Jaibandha Jotedars Bank, Ltd.	1928	(a)	7,765
68 Rangpur ..	26-4-1926	Niphamari Mahajan Bank, Ltd.	1928	(a)	7,361
69 Rangpur ..	18-2-1926	Kurigram Kshatriya Loan Co., Ltd.	1928	(a)	5,829
70 Tipperah ..	21-1-1913	Brahmanbaria Bazar Bank, Ltd.	1929	(a)	17,325
71 Tipperah ..	6-5-1920	Chandpur Loan Office, Ltd.	1928	(a)	25,547
72 Tipperah ..	2-3-1925	Dakshin Kalikatcha Loan Co., Ltd.	1928	(a)	10,204
73 Tipperah ..	13-8-1926	Brahmanbaria Kamala Bank, Ltd.	1928	Nil	4,000
74 Tipperah ..	6-12-1926	Bengal Oriental Bank, Ltd.	1928	(a)	10,044
75 Tipperah ..	5-1-1927	Chandpur Model Bank, Ltd.	1929	12	18,134
76 Tipperah ..	11-11-1927	Brahmanbaria Model Bank, Ltd.	1928	Nil	7,310
77 Mymensingh ..	12-2-1925	Fulkocho Loan Office, Ltd.	1928	(a)	4,775
Total for Class VI ..			..	..	8,12,102

Class VII.—Having working funds

1 Bakarganj ..	24-1-1918	Jhalakati Loan Office, Ltd.	1924	(a)	4,433
2 Bakarganj ..	9-10-1922	Popular Loan Office, Ltd.	1927	(a)	9,220
3 Bakarganj ..	28-3-1923	Bhola Loan Office, Ltd.	1929	7½	15,622
4 Bakarganj ..	7-9-1923	Khosabar Loan Co., Ltd.	1926	(a)	543
5 Bogra ..	23-6-1920	Jayapur Bogra Bank, Ltd.	1927	(a)	5,940
6 Bogra ..	14-3-1921	Shariakandi Trading and Banking Co., Ltd.	1927	(a)	7,771
7 Bogra ..	15-12-1925	Bogra Royal Bank, Ltd.	1928	12½	2,655
8 Bogra ..	21-12-1925	Naogaon Equitable Bank, Ltd.	1928	(a)	1,095
9 Bogra ..	25-2-1926	Biswanathpur Loan Office, Ltd.	1928	(a)	12,136
10 Bogra ..	25-2-1926	Bagbari Loan Co., Ltd.	1929	12½	12,978
11 Bogra ..	30-4-1926	Gosairi Tajmahal Bank, Ltd.	1928	(a)	2,735
12 Bogra ..	9-6-1926	Champur Bank, Ltd.	1928	(a)	6,000
13 Bogra ..	13-8-1926	Adarsa Bank, Ltd.	1928	(a)	9,335
14 Bogra ..	9-9-1926	Narchi United Bank, Ltd.	1928	(a)	6,600
15 Bogra ..	13-11-1926	Radhakantapur Loan Office, Ltd.	1928	(a)	2,041
16 Bogra ..	3-12-1926	New Shariakandi Bank, Ltd.	1927	(a)	6,298
17 Bogra ..	9-12-1926	Kamalpur Popular Bank, Ltd.	1928	15	13,774
18 Bogra ..	17-12-1926	Kumbia Krishi Bank, Ltd.	1928	10	4,975
19 Bogra ..	17-8-1927	Hatgacha Mahajan Bank, Ltd.	1928	(a)	3,284
20 Bogra ..	28-11-1927	Pinderhati Bank, Ltd.	1929	(a)	4,535
21 Calcutta ..	21-4-1903	Mahisya Banking and Trading Co. Ltd.	1928	(a)	15,501
22 Calcutta ..	8-8-1921	Alliance Loan Co., Ltd.	1926	(a)	7,868
23 Calcutta ..	16-2-1929	Great Eastern Loan Co., Ltd.	1927	(a)	4,003
24 Chittagong ..	2-11-1926	Buddhist Trading and Banking Association, Ltd.	1927	(a)	3,375
25 Chittagong ..	5-10-1928	Chittagong Commercial Bank, Ltd.	1929	(a)	5,815
26 Dacca ..	23-6-1919	Exchange Loan Co., Ltd.	1929	Nil	23,700
27 Dacca ..	24-6-1921	Narayanganj Samabay, Ltd.	1927	(a)	950
28 Dacca ..	20-9-1921	Dacca National Bank, Ltd.	1928	(a)	14,354
29 Dacca ..	22-12-1921	Agricultural and Industrial Loan Co., Ltd.	1926	(a)	12,256
30 Dacca ..	13-7-1925	Vikrampure Banking and Trading Co., Ltd.	1926	(a)	8,172
31 Dacca ..	10-11-1925	Bikrampure Banking and Loan Co., Ltd.	1928	(a)	8,919
32 Dacca ..	15-2-1926	Leasganj Bank, Ltd.	1928	(a)	7,448
33 Dhanpur ..	15-2-1922	Agricultural and Piscicultural Co., Ltd.	1928	(a)	8,606
34 Dinaipur ..	21-4-1927	Mahaluxmi Industrial and Trading Bank, Ltd.	1929	10	5,000

(a) Information

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short-term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
14,279	16,406	..	31,195	5,143	48,888	40,447	2,189	8,832
..	24,287	3,683	27,970	3,474	38,721	38,178	..	1,062
7,873	21,680	..	29,533	327	40,393	31,612	..	11,790
7,419	22,525	575	30,519	..	35,494	24,960	..	1,893
18,096	5,295	6,509	24,892	261	39,512	24,529	..	15,622
2,956	8,931	9,751	21,638	976	28,414	25,068	..	6,513
2,787	21,693	25	24,505	970	40,165	35,818	..	2,362
1,489	15,653	1,207	18,354	3,909	44,763	45,755	..	3,962
3,447	4,657	4,870	12,974	..	27,974	64,276	..	19,309
2,842	23,659	350	26,851	580	46,761	39,234	..	12,776
20,277	15,128	151	35,556	2,742	46,298	34,475	..	13,791
7,034	15,672	..	22,706	130	36,296	27,894	..	10,792
6,075	19,413	123	25,611	..	33,376	36,387	..	1,646
8,763	17,081	138	25,982	115	33,468	31,184	..	4,932
1,795	22,263	899	24,957	..	30,786	19,126	..	12,980
3,300	5,574	500	9,374	2,563	29,282	33,815	..	5,962
3,422	11,783	200	15,405	6,750	47,702	43,794	..	4,463
1,046	15,138	636	16,820	1,021	23,045	24,134	..	3,469
4,019	31,016	6,900	41,935	3,771	49,706	45,617	..	7,676
300	20,989	1,458	22,747	..	32,791	24,816	..	7,057
..	17,390	6,969	24,329	..	42,463	41,805	..	5,090
4,958	26,391	..	31,349	2,292	40,951	35,583	..	5,342
17,634	17,220	981	35,835	3,200	43,810	45,477	..	4,425
3,75,938	11,63,831	3,66,338	19,78,219	1,13,971	29,04,292	26,22,859	3,279	3,79,553

not exceeding Rs. 25,000.

(a)	(a)	(a)	68	..	4,501	2,560	..	94
321	3,066	..	3,387	..	12,907	8,636	..	2,086
..	1,537	119	1,656	4,500	21,778	21,518	..	2,859
36	5,244	52	5,332	..	5,375	3,713	..	2,034
..	(a)	(a)	2,096	..	8,036	7,688	..	1,240
1,533	11,835	1,088	14,456	354	22,581	15,768	..	2,708
914	3,901	295	5,110	..	7,765	6,526	..	1,603
1,665	..	10	1,675	..	2,770	376	..	1,622
2,821	4,500	2,730	10,051	200	22,387	22,407	..	3,408
442	3,240	..	3,682	636	18,296	17,272	..	3,618
7,580	7,780	..	15,320	524	18,579	18,500	..	2,996
14,671	3,832	6	18,509	125	24,634	14,006	..	12,355
3,687	1,054	..	4,741	..	14,076	12,032	..	4,104
27	9,555	811	10,393	..	16,993	14,462	..	3,370
..	..	1,274	1,274	..	3,315	2,723	..	577
1,814	3,668	1,000	6,482	750	13,530	7,894	..	6,351
20	7,325	1,026	8,571	1,700	24,045	21,692	..	4,067
2,599	4,936	30	7,565	..	12,540	12,670	..	2,050
..	..	371	371	..	3,655	3,160	..	374
180	..	180	180	..	4,715	3,390	525	1,024
(a)	(a)	(a)	282	1,039	16,822	12,161	..	161
466	1,038	66	1,570	533	9,971	9,054	..	2,275
221	2,350	111	2,682	..	6,685	4,476	..	422
..	1,343	..	1,343	..	4,718	7,140	..	477
1,685	3,300	1,191	6,176	..	11,991	14,835	..	4,262
(a)	(a)	(a)	..	..	23,700	8,434	..	211
(a)	(a)	(a)	..	..	950	492	..	390
..	2,000	414	2,414	..	16,763	13,959	..	2,721
..	..	165	165	..	12,421	4,923	..	272
..	..	2,404	2,404	..	10,576	375	..	1,797
683	2,890	..	3,513	..	12,432	11,628	..	1,032
823	2,131	..	3,054	..	10,502	8,524	..	1,162
1,094	3,376	1,433	5,903	..	14,509	4,890	..	1,721
1,192	7,957	708	9,857	..	14,857	5,261	..	5,904

not available.

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid-up capital.
				Per cent.	Rs.
35 Faridpur ..	26-9-1911	Baharpur Bank, Ltd. ..	1928	(a)	18,110
36 Faridpur ..	10-4-1916	National Loan Company, Ltd. ..	1923	(a)	1,045
37 Faridpur ..	17-5-1920	Kartikpur Samabaya Ltd. ..	1926	(a)	9,900
38 Faridpur ..	26-5-1920	Standard Tea Company, Ltd. ..	1927	(a)	22,186
39 Faridpur ..	30-9-1921	Eastern Cotton Industrial and Bank, Ltd.	1925	(a)	9,421
40 Faridpur ..	15-2-1924	Khaokhanapur Bank, Ltd. ..	1928	(a)	7,660
41 Faridpur ..	18-9-1925	Orakandi Loan Office, Ltd. ..	1929	(a)	6,286
42 Faridpur ..	7-10-1926	Bhanga Public Bank, Ltd. ..	1929	(a)	13,000
43 Faridpur ..	18-9-1928	Gopalganj Loan Bank, Ltd. ..	1929	(a)	4,455
44 Jalpaiguri ..	29-9-1925	Victoria Bank, Ltd. ..	1928	12½	5,350
45 Jessore ..	25-6-1919	Magura Loan Co., Ltd. ..	1927	(a)	19,940
46 Jessore ..	30-6-1920	Kasipur Banking & Trading Co., Ltd.	1927	(a)	8,904
47 Jessore ..	18-12-1920	Magura Bank, Ltd. ..	1928	8	9,668
48 Khulna ..	19-6-1922	Khulna Lakshmi Bank, Ltd. ..	1929	10	7,026
49 Murshidabad ..	3-4-1923	Nehalia Loan Office, Ltd. ..	1929	Nil	3,775
50 Mymensingh ..	3-2-1921	Pioneer Trading Bank, Ltd. ..	1927	(a)	4,885
51 Mymensingh ..	29-4-1921	Kalkini Loan & Trading Co., Ltd.	1927	(a)	5,538
52 Mymensingh ..	25-9-1921	Tangail Industrial Bank, Ltd. ..	1927	(a)	9,767
53 Mymensingh ..	12-9-1925	Karma Loan Co., Ltd. ..	1926	(a)	5,995
54 Mymensingh ..	9-12-1925	Darmat Loan & Commerce Ltd. ..	1928	(a)	3,205
55 Mymensingh ..	26-1-1926	Sribaradi Loan Office, Ltd. ..	1927	(a)	2,392
56 Mymensingh ..	21-4-1926	Kendua Mohanganj Loan Office, Ltd.	1928	10	6,055
57 Mymensingh ..	4-9-1926	Shyampr Nawanagar Loan Office, Ltd.	1928	(a)	2,865
58 Mymensingh ..	8-10-1926	Nayanagar Loan Office, Ltd. ..	1928	(a)	9,050
59 Mymensingh ..	10-11-1926	Dewanaganj Oriental Bank, Ltd. ..	1928	(a)	3,393
60 Mymensingh ..	24-11-1926	Puthimari Bank, Ltd. ..	1928	(a)	2,235
61 Mymensingh ..	9-12-1926	Hatiya Loan Office, Ltd. ..	1928	(a)	2,390
62 Mymensingh ..	20-12-1926	Belamari Loan Office, Ltd. ..	1928	(a)	4,960
63 Mymensingh ..	21-12-1926	Mukhadpur Loan Office, Ltd. ..	1928	(a)	1,882
64 Mymensingh ..	12-1-1927	Purbadhala Loan Office, Ltd. ..	1928	(a)	6,125
65 Mymensingh ..	19-2-1927	Hussainpur Loan Co., Ltd. ..	1929	9	5,300
66 Mymensingh ..	11-3-1927	Bengal Mercantile Bank & Trading Co., Ltd.	1928	(a)	1,850
67 Mymensingh ..	2-5-1927	Halabagh Loan Office, Ltd. ..	1928	(a)	1,050
68 Mymensingh ..	15-5-1927	Mohramkole Union Loan Office, Ltd.	1928	(a)	1,170
69 Mymensingh ..	16-5-1927	Thury Loan Office, Ltd. ..	1929	20	1,550
70 Mymensingh ..	4-7-1927	Kandebari Loan Office, Ltd. ..	1928	(a)	1,300
71 Mymensingh ..	20-12-1927	Tangail Popular Bank, Ltd. ..	1929	20	3,490
72 Mymensingh ..	2-2-1928	Kudabari Reserve Bank, Ltd. ..	1929	12	1,590
73 Mymensingh ..	16-3-1928	Phulpur Bank, Ltd. ..	1929	25	6,400
74 Mymensingh ..	28-5-1928	Chandrakona Lakshmi Narayan Bank & Loan Office, Ltd. ..	1929	(a)	2,442
75 Mymensingh ..	19-7-1928	Patharshi Loan Co., Ltd. ..	1929	(a)	690
76 Mymensingh ..	1-9-1928	Bhuapur Loan Office, Ltd. ..	1929	(a)	1,525
77 Mymensingh ..	10-11-1928	Sree Durga Loan Co., Ltd. ..	1929	(a)	4,740
78 Mymensingh ..	21-12-1928	Laxmanpur Gour Nitai Bank, Ltd.	1929	(a)	3,225
79 Mymensingh ..	25-1-1929	Sidhaly Loan Office, Ltd. ..	1929	(a)	1,510
80 Mymensingh ..	3-3-1929	Nayankola Popular Bank, Ltd. ..	1928	(a)	2,685
81 Mymensingh ..	1-11-1928	Kusthia Banking & Trading Co., Ltd.	1927	(a)	6,780
82 Noakhali ..	29-11-1928	Sandvip Popular Bank, Ltd. ..	1929	..	6,897
83 Patna ..	25-8-1921	Ghatbari Baidkholo Banking & Trading Co., Ltd.	1927	(a)	5,878
84 Patna ..	4-4-1922	Chatoohar Loan Office, Ltd. ..	1926	(a)	11,939
85 Patna ..	14-1-1924	Bhathara Trading & Banking Co., Ltd.	1928	(a)	6,207
86 Patna ..	11-7-1925	Satsang Bank, Ltd. ..	1929	(a)	3,510
87 Patna ..	4-12-1925	Haturia Bank, Ltd. ..	1928	12	4,350
88 Patna ..	6-6-1927	Dogachi Saidpur United Bank, Ltd.	1929	(a)	5,956
89 Patna ..	5-8-1927	Gachali Bank, Ltd. ..	1929	12½	4,530
90 Patna ..	7-9-1927	Sital Industrial & Agricultural Bank, Ltd.	1929	(a)	5,100
91 Patna ..	9-9-1928	Dilpaohar Industrial Bank, Ltd. ..	1929	(a)	1,027
92 Rajshahi ..	13-9-1921	Belgharia Commercial Bank, Ltd.	1926	(a)	4,548
93 Rajshahi ..	27-9-1927	Kalam Peoples Bank, Ltd. ..	1928	(a)	5,515
94 Rangpur ..	27-2-1920	Haripur Loan Office, Ltd. ..	1927	(a)	8,363
95 Rangpur ..	8-1-1921	Tajhat Loan Office, Ltd. ..	1928	(a)	3,944
96 Rangpur ..	17-2-1921	Falia Banking Trading & Store Co., Ltd.	1925	10	2,589
97 Rangpur ..	30-1-1924	Kamarpura Bank, Ltd. ..	1928	15	9,930
98 Rangpur ..	6-7-1925	Nilphamari Kamala Bank, Ltd. ..	1928	(a)	5,663
99 Rangpur ..	21-10-1925	Krimgram Bazar Bank, Ltd. ..	1927	(a)	5,000
100 Rangpur ..	12-6-1926	Kakina Loan Office, Ltd. ..	1928	(a)	4,532
101 Rangpur ..	25-6-1926	Vaivaya (Sutradhar) Banking & Trading Co., Ltd.	1928	5½	6,720
102 Rangpur ..	31-6-1926	Bhitarbanda Loan Co., Ltd. ..	1928	(a)	7,435
103 Rangpur ..	4-10-1926	Jumbarbari Bank, Ltd. ..	1928	(a)	9,390
104 Rangpur ..	23-12-1926	Mogalhat Loan Office, Ltd. ..	1928	9½	6,615
105 Rangpur ..	14-3-1927	Talighat Bank, Ltd. ..	1928	(a)	2,999

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
808	599	..	1,407	4,533	24,050	20,748	..	8,584
..	1,150	235	1,385	..	2,430	11	..	57
266	651	20	937	574	11,411	3,514	..	1,245
(a)	(a)	(a)	..	..	22,186	2,934	..	924
3,600	1,600	..	5,200	..	14,621	1,019	..	5,656
840	3,487	60	3,887	..	11,547	8,525	..	1,918
10	4,611	51	4,672	400	11,338	12,097	..	568
165	7,563	..	7,723	600	21,322	19,507	450	1,557
419	618	..	1,037	..	5,492	..	..	473
1,567	1,846	532	3,945	..	9,295	7,447	..	2,724
(a)	(a)	(a)	..	2,026	21,966	18,255	..	2,185
484	3,491	..	3,975	..	12,879	11,078	..	436
..	6,062	..	6,062	1,453	17,178	15,090	..	2,366
..	6,429	410	6,839	1,000	14,865	5,763	..	4,695
(a)	(a)	(a)	18,000	..	21,775	14,674	..	2,111
3,150	107	104	3,961	..	8,246	891	..	444
633	1,802	..	2,435	..	7,973	5,705	..	1,172
635	5,926	179	6,940	2,452	19,159	2,676	..	155
9,465	6,557	375	16,427	..	22,422	23,425	..	371
9,769	3,273	145	13,178	1,500	22,633	22,637	..	1,248
30	4,820	3,783	8,633	..	11,033	8,290	..	3,233
2,446	1,950	1,284	5,680	207	11,942	12,767	..	470
50	5,763	7,751	13,564	..	15,929	17,566	..	735
6,150	3,159	313	9,622	..	18,672	13,578	..	395
7,020	6,308	427	13,755	..	17,150	18,121	..	632
3,705	1,197	715	5,617	..	7,852	10,896	..	463
3,000	14,473	203	17,676	..	20,066	21,174	..	1,318
4,890	10,050	606	15,546	..	20,506	23,041	..	1,179
2,550	10,180	2,530	15,260	..	17,142	16,153	..	2,699
760	15,129	336	16,225	..	22,350	15,978	..	4,364
..	3,376	..	3,376	212	9,338	10,160	..	243
..	200	210	410	..	2,260	390	..	89
81	1,114	4,021	5,216	..	6,366	5,042	..	1,953
80	5,150	6,650	11,800	..	13,050	11,610	..	2,556
137	1,032	3,143	9,912	600	12,062	11,883	..	999
..	6,210	1,439	7,649	..	8,949	7,977	..	416
654	6,415	6,933	14,002	260	17,752	18,016	..	1,261
2,400	3,505	642	6,547	1,000	9,137	8,603	..	136
..	4,716	5,764	10,480	1,000	17,880	10,383	..	549
200	9,035	4,494	13,729	..	16,171	16,339	..	754
14,098	1,740	173	16,011	..	16,701	15,884	..	1,439
185	3,743	1,167	5,095	..	6,620	4,045	..	325
..	900	..	900	..	5,640	4,726	..	110
..	12,667	1,428	14,095	..	17,320	17,455	..	758
3,400	4,911	3,329	11,640	..	13,150	9,984	..	820
123	3,588	4,793	8,504	..	11,189	11,743	..	450
..	208	1,030	1,238	..	8,018	3,393	..	422
800	9,238	2,077	11,615	..	18,452	17,020	..	1,060
189	1,845	235	2,269	54	8,201	2,060	..	1,452
1,339	2,786	..	4,125	..	16,064	13,044	..	2,679
1,642	11,516	1,862	14,920	873	22,000	16,664	..	6,591
669	7,800	112	8,481	165	12,456	6,620	..	3,919
39	1,300	1	1,340	..	5,690	5,304	..	925
2,723	7,643	4,892	15,253	800	22,019	19,989	..	2,473
1,431	6,364	2,700	10,495	250	15,275	15,022	..	1,361
779	6,771	..	7,550	..	12,650	11,968	..	1,169
53	2,188	800	2,991	72	4,090	2,255	..	1,014
2,736	2,418	..	5,154	..	9,702	3,628	..	3,860
6,019	3,746	70	9,835	..	15,350	7,535	..	7,531
2,230	4,910	400	7,540	920	16,813	14,610	..	2,714
520	10,895	118	11,033	100	15,077	10,464	..	5,236
507	2,225	50	2,772	124	5,485	4,894	..	649
3,295	5,100	..	8,395	..	18,325	15,466	..	426
7,105	6,268	..	13,373	..	19,286	15,153	..	2,590
3,614	12,873	860	17,352	50	22,402	16,022	..	5,329
2,486	1,453	13	8,986	..	8,793	7,179	..	1,665
1,166	3,029	..	4,195	..	10,915	7,350	..	2,459
1,526	3,414	..	4,940	..	12,375	11,816	..	1,255
488	6,690	..	7,178	..	10,508	17,565	..	917
2,454	3,001	..	5,476	..	12,091	12,793	..	777
5,312	11,072	90	17,083	105	20,187	10,313	..	11,321

not available.

District.	Date of incorporation.	Name of the company.	Year of balance sheet.	Dividend.	Paid-up capital.
				Per cent.	Ra.
106 Rangpur ..	2-4-1927	Palasbari Bank, Ltd. ..	1928	(a)	4,480
107 Rangpur ..	21-5-1927	Rangpur Commercial Bank, Ltd. ..	1928	(a)	2,005
108 Rangpur ..	10-8-1927	Sashkandar Jotedar Banking & Trading Co., Ltd.	1928	(a)	8,852
109 Rangpur ..	29-8-1927	Alamnagar Bank, Ltd. ..	1928	42	4,100
110 Rangpur ..	9-9-1927	Alamnagar Union Loan Office, Ltd. ..	1928	(a)	3,794
111 Rangpur ..	2-3-1928	Domar Loan Office, Ltd. ..	1929	(a)	3,025
112 Rangpur ..	4-5-1929	Jamarbari Banking & Trading Co., Ltd. ..	1929	(a)	4,918
113 Tippera ..	23-12-1912	Brahmanbaria Coronation Bank, Ltd. ..	1927	9	10,343
114 Tippera ..	27-9-1924	Cornilla Islama Bank, Ltd. ..	1929	12½	15,459
115 Tippera ..	16-4-1925	Nabinagar Banking & Loan Co., Ltd. ..	1928	(a)	10,216
116 Tippera ..	14-12-1926	Chelikhola Model Bank, Ltd. ..	1928	(a)	5,743
117 Tippera ..	15-12-1926	Tripura Popular Bank, Ltd. ..	1928	(a)	5,940
118 Tippera ..	4-2-1927	Cornilla Model Bank, Ltd. ..	1928	(a)	4,160
119 Tippera ..	11-3-1927	Kalikatcha Chaksher Moslem Bank, Ltd. ..	1928	(a)	5,290
120 Tippera ..	16-6-1927	Brahmanbaria Banker's Union, Ltd. ..	1928	(a)	8,537
121 Tippera ..	23-10-1927	Konda Loan Co., Ltd. ..	1928	(a)	7,496
122 Tippera ..	9-1-1929	Ashuganj Sobhanla Commercial Bank, Ltd. ..	1929	(a)	1,862
GRAND TOTAL (Class VII) ..					7,84,254

(a) Information

Deposits.				Reserve fund.	Working fund.	Total loans.	Investment in Government securities.	Cash in hand and with bankers.
Short term.	Intermediate and long term.	Miscellaneous.	Total.					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,334	9,475	..	11,809	..	16,239	15,876	..	1,540
7,502	10,929	..	18,431	..	20,436	16,087	..	4,641
777	5	..	782	..	4,134	4,263	..	250
10,183	9,657	25	19,865	..	23,965	22,554	..	2,792
3,000	16,852	201	20,053	..	23,847	16,643	..	8,227
1,457	16,209	327	17,993	..	21,618	16,942	..	6,240
1,500	454	..	1,954	1,500	8,372	..	..	634
..	..	4,237	4,237	2,176	16,806	16,838	..	3,221
1,019	3,510	..	4,529	892	20,880	23,918	..	1,516
2,035	4,636	2,383	9,104	..	19,320	16,404	..	2,698
454	6,319	7,580	14,853	1,759	22,355	20,100	..	777
57	9,631	2,974	12,662	250	18,852	16,770	..	2,835
..	..	5,096	5,096	..	9,256	7,636	..	1,664
120	..	..	120	..	5,410	4,959	..	175
(a)	(a)	(a)	..	129	8,666	12,311	..	771
1,141	2,147	..	3,288	695	11,479	10,414	..	1,090
3,004	..	..	3,004	..	4,866	4,400	..	217
2,10,965	5,25,938	1,22,776	8,60,135	39,092	16,83,481	13,55,601	975	2,57,280

not available.

APPENDIX VIII.

List of replies to General Questionnaire received but not printed.

I.—BURDWAN DIVISION.

(1) District Burdwan.

1. Mr. S. M. Bhowmick, M.A., B.L., S. D. O., Katwa.
2. Mr. P. N. Ghose, Circle Officer, Raniganj.
3. Mr. Dwijapada Chakraborty, Kagram.
4. Rai Sahib A. C. Chakraborty, President, Union Board, Gobindapur.
5. Mr. Aswini Kumar Roy, President, Union Board, Krishnadebpur, Kalna.

(2) District Birbhum.

6. Mr. Chedilal Marwari, Merchant, Dubrajpur.
7. Mr. Narayan Das Sarkar, Raipur.
8. Mr. S. B. Chatterjee, Dubrajpur.
9. Mr. Sheik Jalani, Member, Local Board, Rampurhat.
10. Mr. Dharani Dhar Mukherjee, M.A., B.T., Secretary, Nalhati Central Co-operative Bank, Nalhati.
11. Mr. Pasupati Mandal, P. O. Mollarpur.
12. Mr. Bejoy Chandra Sarkar, Kirnahar.
13. Mr. Abdul Aziz, Paikpara, Nalhati.
14. Mr. Md. Sagore, Moureshwar.
15. Mr. Achyutananda Sarkar, President, Union Board, Muhammad-bazar.

(3) District Bankura.

16. Mr. Sarat Chandra Chatterjee, President, Union Board, Palasdanga.

(4) District Midnapore.

17. Secretary, Ghatal Central Co-operative Bank, Ghatal.
18. Mr. Khirode Chandra Das, B.L., Pleader, Contai.
19. Mr. P. G. Krishnan, G.M.C.A., District Agricultural Officer, Midnapore.
20. Mr. S. C. Chatterjee, Deputy Magistrate, Midnapore.

(5) District Hooghly.

21. Mr. Kesab Chandra Sen, President, Union Board, Hooghly.

II.—PRESIDENCY DIVISION.

(1) *District 24-Parganas.*

- 22. Rai Saheb Surendra Nath Ghose, Chairman, Local Board, Barasat.
- 23. Mr. S. F. Mirza, Subdivisional Officer, Barasat.
- 24. Mr. Sasi Bhusan Bannerjee, Madrul.

(2) *District Nadia.*

- 25. Mr. Mritunjoy Acharyya, Chairman, Local Board, Chuadanga.
- 26. Mr. R. Chakravarty, Kustia.
- 27. Mr. A. C. Bose, District Agricultural Officer, Nadia.
- 28. Mr. H. R. Sen, Subdivisional Officer, Ranaghat.
- 29. Mr. S. P. Sarkar, Subdivisional Officer, Chuadanga.

(3) *District Murshidabad.*

- 30. Mr. Bisweswar Roy, Zemindar, P. O. Khagra.
- 31. Mr. Dwijapada Chatterjee, Secretary, Central Co-operative Bank, Jangipura.
- 32. Mr. Bidhu Bhusan Bagchi, President, Union Board, Shibpur, Nabagram.

(4) *District Jessore.*

- 33. Mr. Nur Mohammad, Muktear, Narail.

(5) *District Khulna.*

- 34. Mr. Karunamoy Mitra, Subdivisional Officer, Satkhira.
- 35. Mr. Ramanath Raha, President, Union Board, Khulna.

III.—DACCA DIVISION.

(1) *District Dacca.*

- 36. Mr. Srinath Roy, Pirpur, Raipura.
- 37. Mr. Madan Mohan Saha, B.L., Superintendent, Dacca Nawab Estate, Attia (Jamarki) Circle.
- 38. Mr. Abu Nasar Saidullah, Director, Muslim Banking and Trading Coy., Ltd., Ghorasal.

(2) *District Mymensingh.*

- 39. Mr. Osman Uddin Sarkar, President, Union Board, Tangail.
- 40. Mr. Jogesh Gobinda Mazumdar, President, Union Board, Gharinda, Tangail.

(3) *District Faridpur.*

41. Mr. Sailendra Chandra Banerjee, President, Union Board, P. O. Nagar Kandi.
42. Mr. Mukhlesar Rahaman, Rajbari.
43. Mr. N. B. Bagchi, Secretary, Central Co-operative Bank, Gopalganj.
44. Mr. Mohini Mohon Sinha, Gohaliora.
45. Mr. Gopal Chandra Banerjee, Faridpur.
46. Maulvi Kafiluddin Mia, President, Union Board, Nadia.

(4) *District Bakarganj.*

47. Mr. N. Zaman, Secretary, Central Co-operative Bank, Bhola.
48. Khan Saheb H. Rahaman, Sadar Subdivisional Officer, Barisal.
49. Mr. Md. Eshaq Chowdhury, Zamindar, Ulania, Barisal.
50. Mr. Mohendra Nath Roy Chowdhury, Pleader, Bhola.
51. Haji Chowdhury Md. Ismail Khan, M.L.A., Barisal.
52. Mr. Azheruddin Ahmed, Perojpur.

IV.—CHITTAGONG DIVISION.

(1) *District Chittagong.*

53. Mr. A Halim, B.A., Chairman, Local Board, Chittagong.
54. Sheik Md. Wajed Ali Chowdhury, President, Local Board, Jaldi.

(2) *District Tippera.*

55. Mr. H. C. Bose, Subdivisional Officer, Brahmanberia.
56. Chairman, Local Board, Chandpur.
57. Secretary, Chandpur Central Co-operative Bank, Chandpur.
58. Mr. Dwija Das Dutt, Comilla.

(3) *District Noakhali.*

59. Mr. J. P. Chakrabarty, Secretary, Central Co-operative Bank, Chaumuhani.
60. Mr. C. Mukherjee, M.A., Subdivisional Officer, Feni.
61. Maulvi Syed Abdul Majid, M.A., B.L., Assistant Settlement Officer-in-charge, Noakhali.

V.—RAJSHAHI DIVISION.

(1) *District Rajshahi.*

62. Mr. P. Nandy, Secretary, Arani Co-operative Samity, P. O. Arani.

(2) District Dinajpur.

- 63. Mr. S. C. Banerjee, District Agricultural Officer, Dinajpur.
- 64. Mr. Kumad Nath Das, Hili.
- 65. Mr. Digindra Nath Saha, M.A., Sadar Subdivisional Officer, Dinajpur.
- 66. Messrs. Surendra Nath Bagchi and Amiruddin Ahmed Chowdhury, Balurghat.

(3) District Jalpaiguri.

- 67. Mr. Abdar Rahim Khan, Manager, Diana Tea Estate, P. O. Carron.

(4) District Rangpur

- 68. Mr. Md. Ali Chowdhury, President, Union Board, P. O. Kamadia.
- 69. Mr. Upendra Chandra Dutt, Subdivisional Officer, Kurigram.

(5) District Bogra.

- 70. Mr. Nasiruddin Mandal, Gopalpur.
- 71. Mr. Muhammad Ibrahim, Secretary, Bogra Central Co-operative Bank, Bogra.

(6) District Pabna.

- 72. Mr. Surendra Narayan Chakrabarty, Raiganj, Serajganj.
- 73. Mr. W. Ahmed, District Agricultural Officer, Pabna.
- 74. Mr. Joges Chandra Bhowmick, Managing Director, Pabna Bank, Limited, Pabna.
- 75. Maulvi Khaliluddin Talukdar, Secretary, Kawakola Co-operative Credit Society, Sirajganj.
- 76. President, Sonarai Union Board, Domar.

(7) District Malda.

- 77. Mr. Gangaram Kundu, Secretary, Chanchal Raj Central Co-operative Bank, P.O. Chanchal.

(8) District Darjeeling.

- 78. Mr. H. L. Dikshit, Secretary, Kalimpong Central Co-operative Bank, Kalimpong.
- 79. Mr. G. D. Pradhan, Esq., Secretary, Pedong Central Co-operative Bank, Limited, Pedong.
- 80. Messrs. Hardeodas Srilall, Bankers and Commission Merchants, Kurseong.

APPENDIX IX.

Specimen Satta Patras (Bonds).*

Specimen No. 1.

Executed by a cultivator promising to deliver a certain quantity of paddy to the creditor within a specified period in lieu of cash loan taken by him.

মহামহিম শ্রীকৃষ্ণ , পিতা মৃত , সাক্ষিন সোণারগাঁও,
পং আলাপসিংহ, থানা মুক্তাগাছা, জিলা ময়মনসিংহ, ছাহেবের বরাবরে।

১
২
৩
৪

লিখিতঃ শ্রী , পিতা মৃত , জাতি

স্ববসা গৃহস্থ, সাং সোণারগাঁও, পং আলাপসিংহ, থানা মুক্তাগাছা, জিলা ময়মনসিংহ, কস্য ধানের
পট্টা পত্রমিদং কার্য্যক্ষেপে আমি অদ্য আপনার নিজ তহবিল হইতে মং ৩০/- ত্রিশ টাকা নগদ দস্ত-
বদন্ত বুঝিয়া পাইয়া ৩০/ ত্রিশ মণ ধানের পর দাদন লইলাম। ধানের আদায়ের করার বর্তমান
সনের মাঘ মাসের ১লা তারিখে পাকা ওজনের মাপে একোয়াল আমন বাশিরাজ ধান্য গুধান
সারা এক মাপে আপনার বাড়ী মোকামে আনিয়া বুঝাইয়া দিখ। সরারতিক্রমে যদি উক্ত ধান্য
উক্ত তারিখে না দেই, তবে বাজারের প্রচলিত দর হিসাবে বত টাকা হয় তাহা একযোগে
আদায় করিব। এতদ্বর্থে অত্র ধানের পট্টা লেখাইয়া দিলাম। ইতি সন ১৩৩৪ সাল, তারিখ
২রা জ্যৈষ্ঠ।

ইসাদী—

* Received from Mr. A. G. R. Henderson, I.C.S., District Judge of Mymensingh.

(Translation.)

In favour of Srijukta (name of the creditor), son of
resident of village Sonargaon, pargana Alapsing, p.-s., Muktagacha, district
Mymensingh.

Signature of
Executant.

Whereas I, , son of the late
, by caste , by occupation a cultivator, resident
of Sonargaon, pargana Alapsing, thana Muktagacha, district Mymensingh,
have this day received in cash rupees thrity only from your own funds as
dadān for delivery of thirty maunds of paddy, I execute this paddy *patti patra*
undertaking to deliver on the 1st Magh of the current year, at your own re-
sidence, the abovementioned full quantity of dry Aman Basiraj paddy by
standard and uniform weight. If I deceitfully fail to deliver the same
quantity of paddy on the said date, I bind myself to pay unto you in one instal-
ment the full price of the said quantity of paddy at the prevailing market rate.
Accordingly I have got this *patti* for paddy written on this the 2nd day of
Jaistha, 1334 B. S.

Witnesses.

মো: নং ৪২, ১৯২৮ সন।

Third Munsif Court
Filed
4th January 1928.
Kishoreganj.

হাত নই—
শ্রীসেখ হুর হসেন।
শ্রীসেখ মামুদ হসেন।
বং শ্রীচন্দ্রনাথ কপালী।

মহামহিম শ্রীমুক্ত মহম্মদ আব্দুল বেগারী সাহেবের
সদাশয়েষু।

লিখিতঃ শ্রীসেখ হুর হসেন ও শ্রীসেখ মামুদ হসেন, পিতা মৃত সেখ ছমির, সাকিম কাজলা, তপে হাজরাঙ্গী। কস্ত বায়কাটা পত্রনিদং কার্য্যাকাগে আমরা মহাশয়ের নিকট হইতে অন্ত নগদ মঃ ৬০/- বাইট টাকা কোম্পানী কর্ত্ত্ব গ্রহণ করিলাম উক্ত টাকা হুদ ও আসল মধ্যে আগামী ১৩৩০ সনের ভাদ্র মাস মধ্যে ৪ নং কোঠা ১২/০ বার মণ আপনাকে বুঝাইয়া দিব। যদি উক্ত করারে উল্লিখিত কোঠা আপনাকে বুঝাইয়া না দেই তবে টাকা আদায়ের চূড়ান্ত তারিখ পর্য্যন্ত উল্লিখিত কোঠা বাজার দর করার মতে মূল্য নিরূপণ করিয়া প্রতি টাকাতে ৮০ হুই আনা হারে শ্রুদ দিব। না দিলে আইনমতে নালিশ করিয়া আদায় করিয়া লইতে পারিতে ইহাতে আমার কোন ওজর আপত্তি থাকিবে না। এতদর্থে সাকল্য টাকা বুঝিয়া পাইয়া মহাশয়ের বাটীতে বসিয়া অত্র বায়কাটা খত লিখিয়া দিলাম। ইতি সন ১৩৩২ সনের ১১ই ফাল্গুন।

ইসাদী—

নং শ্রীচন্দ্রনাথ কপালী,
সাং শ্যামংপুর,
তপে হাজরাঙ্গী।
শ্রীসেখ উমেদ আলী,
সাং কাজলা,
তপে হাজরাঙ্গী।

ইসাদী—

শ্রীসেখ আতর আলী,
সাং কাজলা।
শ্রীবিভুনি,
সাং কাজলা,
তপে হাজরাঙ্গী।
শ্রীসেখ মবউল্লা,
সাং কাজলা,
তপে হাজরাঙ্গী।

(Translation.)

Suit No. 42, 1928.
 Third Munsif Court
 Filed 9th January 1928.
 Kishoreganj.

Sd. CHANDRA NATH KAPALI.
 for { SEKH NUR HUSSAIN,
 SEKH MAHAMUD HUSSAIN.

To

The Magnanimous and Glorious Sj. Muhammad Abdul Bepari Sahib.
 Written by Sri Sekh Nur Hussain and Sri Mahmud Husain, father late
 Sekh Chhamir residing in Kajla, Tappe Hazaradi,

Thus begins the Baykata letter or agreement. We borrow to-day from you Rs. 60 (Rupees sixty only) in cash. For the said sum as principal and its interest, we shall deliver to you 12 maunds of No. 4 Jute within the month of Bhadra of 1333 B. S. If we do not deliver to you the said quantity of jute according to the stipulation, then to the last date of the payment of the whole amount, we agree to pay interest at 2 as. per rupee on the value of the said jute according to the market rate. If we do not pay by that time you will be at liberty to realise the money by instituting a suit against us. No objection on our part will be valid. After receiving the whole amount in full, we execute this Baykata letter or agreement in your house. Thus ends the transaction.

11th Falgun. 1332 B.S.

Witnessess :

Sri Chandra Nath Kapali, residing in
 Nyamatpur, Tappe Hazardi.

Sri Sekh Umed Ali, residing in Kajla.

Witnessess :

Sri Sekh Atar Ali residing in
 Kajla.

Sri Bichuni, residing in Kajla,
 Tappe Hazardi.

Sri Sekh Mabulla, residing in Kajla,
 Tappe Hazardi.

Specimen. No 3.

মো: নং ১৫২২, ১৯২৭ সন।

Second Munsif Court
Filed
28th October 1927.
Kishoreganj.

চান্দে আলী

ইরাছিকির্দ শ্রীমহাম্মদ সরল ও শ্রীমহাম্মদ আরিফদ্দিন মুন্সী মহাজন স্থানে লিখিতঃ শ্রীসেখ আশ্রাবালী, পিতা মৃত সেখ উজ্জির মামুদ, সাকিম চরকাওনিয়া, থানা মনহরদি, জিলা ঢাকা। কস্তু আগত নূতন কোঠার পট্টপত্রমিদং কার্যক্রমে আমি মহাজনের নিকট হইতে নগদ দত্তবদস্ত বুঝিয়া পাইয়া মঃ ৩৩- তেত্রিশ টাকা কোম্পানি কোঠার উপর আগামী দাদন লইলাম ঐ টাকার কোঠা কিঃ মাস ২- দুই টাকা হিসাবে একুনে ১৬৯০ সাড়ে ষোল মণ কোঠা শুকান সারা করিয়া আগত সনের মাহে আশ্বিন মাসে আপনার কোঠা আপনাকে বিনা ওজরে বুঝাইয়া দিব। যদি না দেই তবে উক্ত কোঠা বিক্রী আদায়ে যত টাকা মণে ধার্য হয় আসলে গণ্য হইয়া প্রতি টাকার প্রতি মাসে ১০ এক আনা হারে সুদ চলিবে আদায় না হওয়া পর্যন্ত। এতদর্থে নগদ টাকা বুঝিয়া পাইয়া কোঠার পট্টপত্র দলিল লিখিয়া দিলাম। ইতি ১৬২৭ সনের ৪ঠা অগ্রহায়ণ।

Exhibit No. 1.

Suit No. 1522 of 1927.

Produced by.....

On behalf of Plaintiff on 28th October 1927 and admitted.

A. G. R.

Munsif.

Date—16th January 1928.

Second Munsif's Court,
Kishoreganj.

লেখক—

শ্রীমহাম্মদ আরিফদ্দিন,
সাং চরকাওনিয়া।

ইশাদী—

শ্রীঅবুউল্লা,
সাং চরকাওনিয়া।
শ্রীসেখ চান্দে আলী,
সাং চরকাওনিয়া।

(Translation.

Suit No. 1522 of 1927.

Second Munsif's Court.

Filed, 28th October 1927.

Kishoreganj.

ASRAB ALI.

Be this known,

Written to Sri Muhammad Saral and Sri Muhammad Aripaddin Munshi, Kahajans, by Sri Asrab Ali, father late Sekh Ujir Mahmud, residing in Charkaonia, Thana Monohardi, District Dacca, this patti letter or agreement to sell new jute. Thus begins the transaction. I have received directly from the Mahajans an advance of Rs. 33 (Rupees Thirty-three only) in cash on the security of next jute crop. For that value I shall deliver without any objection 16 maunds and 20 seers of fully dried jute at the rate of Rs. 2 per maund in the month of Aswin next. If I do not deliver it, interest will run up to the date of payment at the rate of one anna per rupee per month on the value of the jute at the market rate at the time of sale. For this, I execute this agreement (Patti letter) for selling jute. Thus ends the document.

4th Argrahayan, 1327 B.S.

Exhibit No. 1,

Suit No. 1522 of 1927.

Produced by.....

on behalf of plaintiff on 28th October 1927.

and admitted.

Sd. A. G. R.,
Munsif.

16th January 1928.

2nd Munsif's Court, Kishoregang.

Writer :

Muhammad Asiruddin,
residing in Charkaonia.

Witnesses :

Ayub Ulla, residing in Charkaonia.
Sekh Bande Ali, residing in
Charkaonia.

APPENDIX X.

Specimen Hundis and other Documents used by Indigenous Bankers.

Specimen No. 1.

[Obverse.]

শ্রীশ্রীহরি সহায় ।

নং

৮ জগবন্ধু সেন পোন্ধার

সনাচার এই অদ্য ১০ জ মোং চান্দা

শ্রীমুদ্র

নং

মোং কলিকাতা পোছমাত্র উক্ত টাক :

শ্রীমুদ্র

অথবা বরাতবাহককে বুঝাইয়া দিয়া

ইতি সন ১৩৩৬ তারিখ ।

[Reverse.]

পরম কল্যাণবর—

শ্রীমান প্রসন্নকুমার সেন পোন্ধার

কল্যাণবরেষু ।

মোং কলিকাতা বড়বাজার

শিবতলা ষ্ট্রীট্ ১৪নং বাড়ী ।

[Obverse.]

(Translation.)

ay Sri Hari help us.

No.

(The firm of the) late Jagabandhu Sen Poddar

begs to inform you this day

Sj. of Dacca

Rupees (in words)

immediately after the receipt of this in Calcutta, please pay the above amount

to

Sj.

or order

This day 1336 B. S.

[Reverse.]

To

Most Blessed

Sriman Prasannakumar Sen Poddar,

Calcutta, Burrabazar,

14, Sibbala Street.

বরাতচিঠি

বরাবর—

মোকাম

আমি/আমরা আপনার/আপনাদের উপর বরাত দিয়া অদ্যকার তারিখে এখান হইতে

টাকা লইলাম। আপনি/আপনারা উক্ত টাকা মোকামে

গদীতে বরাতচিঠির পৃষ্ঠে জমা দিয়া ফেরত লইবেন। ইতি—

মোকাম

(Translation.)

(Note of Assignment.)

To

(Address)

I/We have this day received here Rs. with an order
on your behalf. You will please take back the said amount by presenting this
letter with your endorsement on its back from Gadi at
Thus ends this document.

Signature

Address

Specimen No. 3.

শ্রীশ্রীদুর্গা

শরণং ।

সেবক—শ্রীহরিচরণ দাস ।

শ্রীহরিচরণ দাস,

মোঃ হালিসহর, জেলা ২৪-পরগণা,

গেনী হুগি মবলকে এক কেতা

১,০০০—হাজার টাকা মাত্র

প্রণামা বহবনিবেদনক বিষয় :—

আপনাদের উপর এখান হইতে দেনী হুগি এক কেতা ১,০০০— এক হাজার টাকা, পাঁচ শত টাকার ডবল হাজার টাকা লিখি । এখানে রাখেন শ্রীঅমরনাথ বহু বাদী মুক্ত ২৫ রোজ গ্রেস ৩ রোজ একুনে ২৮ রোজ পিছে ধনীযোগে তথায় হুগি পৌঁছিলে সাকরাইয়া দিয়া মুক্ত বাদ ডিউ তারিখে টাকা দিয়া হুগির পুঠে রসিদ লেখাইয়া লইবেন, ইহা শ্রীচরণে নিবেদন করিলাম । ইতি— ১০ই আষাঢ়, সন ১৩৩৫ সাল, সোমবার ।

পরম পূজনীয়

শ্রীযুক্ত বাবু জ্ঞানেন্দ্রনাথ দাস,

মহাশয় শ্রীচরণেষু—

১৫, হ্যারিসন রোড, কলিকাতা ।

এই হুগি রামলাল হীরালালকে সাকরাই

করিলাম ।

শ্রীজ্ঞানেন্দ্রনাথ দাস,

১৫ই আষাঢ় ১৩৩৫ ।

শ্রীযুক্ত বাবু জ্ঞানেন্দ্রনাথ দাসের নিকট এই হুগির টাকা সমস্ত বুঝিয়া পাইলাম ।

শ্রীরামলাল হীরালাল,

২ই শ্রাবণ, সন ১৩৩৫ সাল ।

Note.—Reproduced from Prof. S. N. Lala's Modern Trade with the kind permission of the author.

(Translation.)

(Muddati Hundi.)

[Obverse.]

May Sri Durga protect us.

Obedient servant Sj. Hari Charan Das

Begs with many salutations to inform you

(Signature)

Halisahr, Dist. 24-Parganas.

Issued Hundi 1 piece for
Rs. 1,000 (Rupees One thousand
only).

That a hundi for Rs. 1,000 double of Rupees Five Hundred (Rupees One thousand only) is issued upon you from this place. The amount has been deposited here by Sri Amarnath Basu. The Muddat is 25 days, and the grace is 3 days, i.e., in all 28 days. On the receipt of this Hundi, you please accept it and pay the sum to a person with credit on due date after the Muddat, and take receipt on the back of the Hundi. This is the prayer to your auspicious feet. Thus ends this Hundi.

10th Ashar, 1335 B. S., Monday.

[Reverse.]

This hundi is endorsed in
favour of Ramlal Hiralal.Jnanendra Nath Das,
15th Ashar, 1335 B. S.

To

The auspicious feet of the most Honoured

Sj. Babu Jnanendra Nath Das

15, Harrison Road, Calcutta.

Received the full amount of this hundi from Babu Jnanendra Nath Das.

Ramlal Hiralal

9th Sravan 1335 B. S.

(Transliteration.)

[Obverse.]

(Darsani Hundi.)

Hundi leni Bheja Amad

Hundi lani bheja

Haji Sale Muhammad

Sohanlal Munsilal

Bhai Sahanlal Munsilaljoga

Jog Thakurdas Agyaram

Sri Hari.

Motilal Parmananda Wardha.

No. 426

D / Parmananda ka Hundi likhe Mujab sakardena 1st Siddha Sri Kalkatta Bandar subhasthane Bhai Sitalprasadji Kharag Prasadji Jog Sri wardha se likhi Motilal Parmananda ken Sri Jaygopal Banchijo uparancha Hundi Nag 1 Ru 500—Akhare Rupia Panch sau ka neeme rupia Arhai sau ka Duna Pura ithe Rakhya Amad Sale Muhammad Kachhi Pas Miti Magsarbadi 5 Pahuncha Turanta Naube shahjog Rupia Company Chalan ka Dijyo 1 Sam. 1986 Miti Magosir Badi 5 Gurubar Ta : 21-11-29.

[Reverse.]

Rs 500—

Neeme la neeme sawasau ka chauguna Pura Ru Panch sau kar Dijyo

Sd. Thakurdas Agyram

Hundi Bharpaya Sibkumarsingh

Ta. 26-11-29.

Magasarbadi 10.

1st Bhai Sitalprasad Kharagprasad jog

No. 30 Burtolla Street, Calcutta.

(Translation.)

[Obverse.]

Haji Sale Muhammad sends
brother Sohanlal Munshi-
lal to receive the value of the
hundi.

Sohanlal Munshilal sends
Thakurdas Agyaram to receive
the value of the hundi.

Sri Hari

Mati Lal Parmanand Wardha.

No. 426. Please accept according to writing in the Hundi of Parmananda

In the prosperous, beautiful and auspicious port of Calcutta, to honoured brother Sital Prasad Kharkprasad written from Wardha by Moti Lal Parmananda whose greetings (Jay Gopal) you may be pleased to accept. Further, one hundi for Rs. 500 in words rupees five hundred, full twice of Rs. 250 is drawn in favour of Ammad Hazi Sale Muhammad Kachhi on the 5th day of Magsir Badi ; immediately on the arrival of this hundi, you will (please) pay the amount thereof in current coin of the Company to the presentor after ascertaining his respectability. Sambat 1986, 5th day of Magsir Badi, Thursday, dated 21/11/1929.

[Reverse.]

Rs. 500

half of half Rs. 125 four times of which Rs. 500

Sd/—Thakurdas Agyaram.

Received the full amount of hundi

Sd/—Sib Kumar Singh

D. 26/11/29

Margasir Badi 10

Brother Sitalprasad Kharkprasad

No. 30, Bartola Street, Calcutta.

Specimen No. 5.

Muddati Hundi.

(Transliteration.)

Sri Ramji

Siddha Sri Kalkatta Subhasthane Bhai Sree Nathuram Bholaram Jog Lekhi Bikaneer Se Tulsiram Rampratap ka Jaygopal Bancheo Uparanch Hundi Kitta ak rupaiya 400 ankan rupaiya Charsoka neeme rupiya do so ka duna pura athe rakhiya Ram Chandra Ramgopal ka pas miti Mahag Sudi 15 Panaro Se MUDAT din 15 panero piche sahajog rupaiya Company chalanka dena, Sambat 1986.

Sd/—Sampat din

(Translation)

In the prosperous, beautiful and auspicious town of Calcutta, to brother Nathuram Bholaram written from Bikaneer by Tulsiram Rampratap whose greetings you may be pleased to accept. Further, one piece (Kitta) of hundi for Rs. 400, in words rupees four hundred, twice of rupees two hundred full, is drawn in favour of Ram Chandra Ram Gopal. 15 (fifteen) days after the 15th day of Magh Sudi you will (please) pay the amount thereof in current coin of the Company to the presenter after ascertaining his respectability.

Sambat 1986.

Sd/—Sampatdin.

Specimen No. 6.

Purja.

(Transliteration.)

Bhai Sri Nathuram Tekal Chand se likhe Bhuramal Gopinath ka Ram Ram Banchiyo upranch Ru 500 Akhre Panch So tumhare pas liya jekara beyaj dar 6 as hisab bhejachh so laileja Rupaiya jamadarne diadejo miti 30 ko karochee 1986 sal miti Mahag.

Dastkhat

Sd/—Sawanlal Nahata.

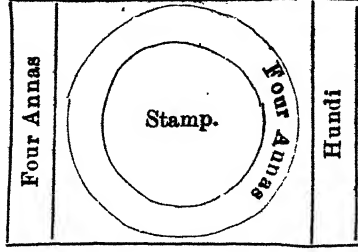
(Translation)

Honoured brother Nathuram Tekal Chand be pleased to accept the greetings (Ram Ram) of Bhuramal Gopinath. Further Rs. 500, in words rupees five hundred, is being taken from you, the interest on which at the rate of 6 as is sent herewith. Please accept it and pay the money to Jamadar, dated 30th day of Magh 1986 Sal.

Sd/—Sawanlal Nahata.

APPENDIX XI.

Specimens of some Documents used by a loan office in granting loans.

Specimen No. 1
Hundi.

জামালপুর লোন আফিস লিমিটেড্ ।

আফিস টাউন জামালপুর ।

ওয়ার্ডার

দাদনের

তাং

তাং

১৩ সন

১৩ সন

প্রী

সাং

বরাবরেয়ু ।

আমি জামালপুর লোন আফিস হইতে মঃ টাকা লইলাম । আপনি অদ্যাবধি
 দিন মধ্যে উক্ত টাকা উক্ত আফিসে অথবা উক্ত আফিসের আদেশমত দিবেন । ঐ তারিখে
 বা তৎপূর্বে উক্ত টাকা না দিলে ঐ তারিখের পর হইতে বত কাল টাকা পরিশোধ না হইবে
 ততকাল উক্ত টাকার উপর শতকরা প্রতি ত্রিশ দিনে হারে সুদসহ উক্ত লোন আফিসকে
 দিবেন ; কিন্তু দিনের প্রথম দিনে বা তৎপূর্বে ঐ কালের সুদ অগ্রিম দিলে সুদের হার
 শতকরা প্রতি ত্রিশ দিনে না দিয়া টাকা হারে দিবেন ।

প্রী

পিতা

পং

জিলা

ধান

(Translation)

Jamalpure Loan Office, Limited,

Office at Town Jamalpur.

(Date on which the loan is promised to be repayed) (Date on which the
loan is taken)

To

_____(Name)

_____(Address)

I take on loan from the Jamalpure Loan Office Ltd., a sum of Rs. . You
promise to pay within days from date the said sum to the said Office or
order. If the said sum be not repaid on or before the said date, then you shall
pay to the said Loan Office interest at the rate of per cent. per every thirty
days after ~~that~~ that date for the period during which loan is not repaid ; but if the
interest be paid in advance on or before the first day of every days, you
shall instead of paying the interest at the rate of for every thirty days
pay it at the rate of

(Address including thana and district)

(Name)

(Father's name)

Specimen No. 2.

Promissory Note.

বরাবর—

শ্রীযুক্ত জামালপুর লোন অফিস লিমিটেড

রেজিস্ট্রিকৃত অফিস টাউন জামালপুর

উক্ত কোম্পানীর বরাবরে—

লিখিতঃ শ্রী

পিতা

জাতি

পেশা

সং

পং

ঠেমন

জিলা

কস্য হ্যাণ্ডনোট পত্রমিদং কার্যকাণে

প্রয়োজনবশতঃ উক্ত কোম্পানীর

অফিসের তহবিল হইতে উক্ত কোম্পানীর

মহাশয়ের মারফতে মঃ

টাকা

নগদ দস্তবদস্ত বুঝিয়া পাইয়া অঙ্গীকার করিতেছি যে, উক্ত কোম্পানীর ১৩২৩ সনের ৭ই পৌষ

তারিখের ডিরেক্টর সভার বিধানমতে শতকরা প্রতি ৩০ দিনে

হার সুদসহ

সাকুল্য টাকা চাহিবারাত্র পরিশোধ করিব। এতদ্বর্থে অত্র হ্যাণ্ডনোট পত্র সম্পাদন করিয়া

দিলাম। ইতি—

(Translation)

To

Messrs. The Jamalpore Loan Office, Ltd.

Registered Office at Town Jamalpore.

Written by ..

Father's name ..

Caste ..

Profession ..

Residence ..

Pergana ..

Station ..

District ..

Whose handnote is this and the transaction commences thus :—

Having received in cash to meet my requirements directly from the funds of the said Company at its office at through Mr. I promise to pay on demand the whole sum with interest at the rate of Rs. per every thirty days as fixed by the resolution of the Directors of the Company at their meeting held on the 7th Pous, 1323 B.S. to this effect I hereby execute this handnote. Here ends this document.

(Signature)

কার্যধাণে প্রয়োজনবশতঃ অথু তারিখে উক্ত কোম্পানীর
 আফিসের তহবিল হইতে উক্ত লোন আফিসের শ্রীযুক্ত
 মহাশয়ের মারফতে মঃ টাকা নগদ দস্তবদস্ত বুঝিয়া পাইয়া কর্জ লইলাম।
 ইহার সুদ শতকরা প্রতি ৩০ দিনে হারে সাকুল্য টাকা আদায়ের চূড়ান্ত
 কালতক দিব। টাকা আদায়ের করার অথু হইতে দিনমাত্র অর্থাৎ
 সনের তারিখে মায় সুদ সাকুল্য টাকা আদায় করিব? সুদের টাকা
 প্রতি ৩০ দিনের বা তাহার কোনও গুণিতক কালের অগ্রিম দিনে সুদ মধ্যে শতকরা প্রতি
 ৩০ দিনে ১৥/১০ এক টাকা নয় আনা হারে ডিস্কাউন্ট কম পাইব। সুদ কিংবা আসল মধ্যে
 যখন যে টাকা দিব তাহার জন্ত কোম্পানীর প্রবর্তিত উপযুক্ত ক্যাশ একট্রাক্ট গ্রহণ করিব।
 উক্ত নিদর্শন ভিন্ন ওয়াশীলের পক্ষে অথু কোন ওজর আপত্তি গ্রাহ্য হইবেক না। উক্ত টাকা
 মায় সুদ আপোষে আদায় না করিলে আপনারা আদালতে নাগিশ করতঃ মায় সুদ সাকুল্য
 টাকা আদালত ব্যয় ও ভাবী সুদসহ যাবতীয় স্বনামী, বোনামী, স্থাবর, অস্থাবর
 সম্পত্তি মায় রায়তি জোতের ভূমি ক্রোক নিলামকরতঃ আদায় করিয়া লইতে পারিবেন।
 উল্লিখিত অবস্থায় স্বত্ব দখলীয় রায়তি জোতের ভূমি ক্রোক নিলাম সম্বন্ধে
 সম্মতি দিলাম। এই সম্মতির অহুবলে রায়তি জোতের ভূমি প্রয়োজন হইলে
 আপনারা ক্রোক নিলাম করাইতে পারিবেন, তাহাতে বা ওয়ারিশান
 স্থলবর্তী কাহারও কোন আপত্তি গ্রাহ্য হইবে না। এতদর্থে স্বেচ্ছায়, সজ্ঞানে, সুস্থ শরীরে ও
 স্বাধীনভাবে অত্র তমঃস্বকপত্র সম্পাদন করিলাম। ইতি—

সন তাং

ইসাদী

(Translation)

Thus begins the transaction. Having received this day directly from the funds of the Loan Office through Sj. of the Office

Rs. Rupees cash on loan to meet some requirement, I promise to pay interest at the rate of per cent for every 30 days up to the date of the final repayment of the whole amount. The time allowed for the repayment of the amount is days from date i.e., I shall pay off the whole debt with interest due thereon For advance payment of interest, I shall

take a proper 'cash extract' under the rules of the Company; no plea of payment will be admitted by the Company without this cash extract. If I do not pay amicably the amount together with interest due thereon, you will be at liberty to realise the whole amount with interest, cost of suit, and interest on the decretal amount by attachment and sale of all movable and immovable properties including raiyati jotes standing in my own name or in the name of my benamdars in execution of a decree issued by the Court. Under the said conditions I do hereby give my consent to the sale of the lands appertaining to my raiyati jotes, and by virtue of this consent you will be able if necessary to attach and put up to auction my raiyati jotes, and my heirs, representatives and successors in interest shall not be able to raise any objection to same, and such objection even if raised will not be valid. To this effect, I of my own free will, in sound mind and body, execute this bond. Here ends this document.

Year date

Witnesses

Writer

কার্খাঙ্কাগে

প্রয়োজনবশত: অল্প তারিখে উক্ত কোম্পানীর

আফিসের তহবিল হইতে উক্ত লোন আফিসের

ঋণ

মহাশয়ের মারফতে মঃ

টাকা নগদ দত্তবদন্ত বুঝিয়া পাইয়া কর্জ

লইলাম। ইহার হ্রদ শতকরা প্রতি ৩০ দিনে

হারে সাকুল্য টাকা আদায়ের চূড়ান্ত কালতক দিব। টাকা আদায়ের করার দলিলের তারিখ
হইতে দিনমাত্র। অর্থাৎ সনের

তারিখে মায় হ্রদ সাকুল্য টাকা আদায় করিব। হ্রদের টাকা প্রতি ৩০

দিনের বা তাহার কোনও গুণিতক কালের অগ্রিম দিনে হ্রদ মধ্যে শতকরা প্রতি ৩০ দিনে
১১।১০ এক টাকা নয় আনা হারে ডিস্কাউন্ট কম পাইব। হ্রদ কিংবা আসল মধ্যে যখন যে
টাকা দিব তাহার জন্য কোম্পানীর প্রবর্তিত উপযুক্ত ক্যাশ একট্রাঙ্ক গ্রহণ করিব। উক্ত নিদর্শন
ভিন্ন ওয়াশীলের পক্ষে অন্য কোন ওজর আপত্তি গ্রাহ্য হইবেক না। উক্ত টাকা আদায়ের
মাতব্বরিতে স্বত্ব দখলীর নিম্ন তফশীলের বর্ণিত সম্পত্তি বাহাতেনিম্ন বর্ণিতরূপে স্বত্ববান দখলিকার আছি তাহা রেহাণীবদ্ধ রাখিলাম। আপোষে উক্ত
টাকা আদায় না করিলে উক্ত রেহাণীবদ্ধ সম্পত্তি নিলাম বিক্রয় করিয়া মায় হ্রদ
আদায়ত ব্যয়সহ সাকুল্য টাকা আদায় করিয়া লইতে পারিবেন তাহাতে কোম্পানীর সাকুল্য
টাকা আদায় না হইলে অন্যান্য যাবতীয় স্বাবর, অস্বাবর, স্বনামী ওবেনামী সম্পত্তি ক্রোক নিলাম দ্বারা এবং শরীর দ্বারা কোম্পানীর যাবতীয়
পাওনা আদায় করিয়া লইতে পারিবেন। উক্ত সম্পত্তি অন্য কোন স্থানে রেহাণ, কট, চুকানী
বা কোন প্রকারে দায়াবদ্ধ নাই। উক্ত সম্পত্তি অন্য কোন স্থানে কোনওরূপ দায়াবদ্ধ থাকা
প্রকাশ পাইলে অথবা উক্ত সম্পত্তিতে বা তাহার কোনও অংশে বর্ণনারূপ স্বত্বনা থাকা বা স্বত্ব-স্বামিত্বের কটী থাকা প্রকাশ পাইলে ফৌজদারী অপরাধে
দণ্ডনীয় হইব এবং তাহাতে উক্ত কোম্পানীর যে ক্ষতি হইবে তৎক্ষতিপূরণ করিতে

ওয়ারিশান বাধ্য রহিলাম ও বাধ্য রহিল।

রেহাণীবদ্ধ সম্পত্তির রাজস্ব ও পথকরাদি

রীতিমতভাবে আদায় করিব।

রেহাণীবদ্ধ সম্পত্তি কোনও কারণে বাকীকর ও পথকরের জন্য নিলাম হইলে ডাক কাজিলী
টাকা উক্ত কোম্পানি পাইবেন। উক্ত রেহাণীবদ্ধ সম্পত্তি গভর্ণমেন্টকর্তৃক খাস হইলে ক্ষতিপূরণের
টাকা উক্ত কোম্পানী পাইবেক। অত্র রেহাণীবদ্ধ সম্পত্তি নিজ দখলেআছে ও থাকিবেক। মায় হ্রদ সাকুল্য টাকা চূড়ান্তরূপে আদায় না হওয়া পর্যন্ত উক্ত রেহাণীবদ্ধ
ভূমি কোন প্রকার হস্তান্তর দায়াবদ্ধ বা মালিক সরকারে ইত্যাদি করিতে বা পত্তন বা
চুকানী ইত্যাদি দ্বারা অবহস্তান্তর করিতে পারিব না; করিলে তাহা অগ্রাহ্য হইবেক। রেহাণীবদ্ধ
ভূমির সীমা সহরদ ও দংল সাবেকমত বাহাল রাখিব। এই রেহাণী তমঃস্বকের সমস্ত সর্ব্ব আমা
প্রতি এবং আমা উত্তরাধিকারী, স্থলবত্তী ও পরবত্তীগণের প্রতি বাধ্যকর

হইবে। এতদর্থে নগদ টাকা বুঝিয়া পাইয়া দেখ্ছায়, সজ্ঞানে, স্বস্থ শরীরে ও স্বাধীনভাবে

অত্র রেহাণী তমঃস্বকপত্র সম্পাদন করিলাম। ইতি সন

তফশীল রেহাণী সম্পত্তি।

(Translation)

Thus begins the transaction. I have received this day directly from the funds of the Company through Sj _____ of the Company Rs. _____ Rupees _____ cash in full on loan to meet some requirement. The interest will run at the rate of _____ per cent for every 30 days up to the liquidation of the full amount. The time allowed for final repayment is _____ days from the date of this document i.e. I shall pay the full amount with interest on _____ For advance payment of interest I shall get a discount at the rate of Re. 1-9-0 per cent for every 30 days or multiple thereof For every payment on account of capital or interest, I shall take the cash extract as prescribed by the Company ; without it, no plea of payment will be admitted. As security of my debt, I do hereby mortgage the properties belonging to me as detailed in the Schedule which I enjoy as per details given below. If the amount be not paid up amicably, you will be at liberty to realise the whole amount with interest due thereon, the cost of the suit, and the interest on the decretal amount by attachment and sale of the mortgaged properties in execution of the decree obtained in the suit brought for the purpose. If the whole amount be not realised in this way, you will realize the balance due to the Company by the attachment and sale of other movable and immovable properties standing in my own name or in the name of any other person as my benamdar or from my body: There is no encumbrance upon this property by way of mortgage, conditional sale, *chaukani* or otherwise. If in future it transpires that the property bears any encumbrance or charge or if there appears to be any defect or want of title in the property or any part thereof, I shall be liable to criminal prosecution and myself and my heirs, representatives and successors in interest, shall be liable to make up the loss which the Company may incur. I shall regularly pay the rent and cesses due on account of the mortgaged property. If the mortgaged property be at any time put to execution sale on account of arrears of rent and cesses, the Company will get the surplus money. If the mortgaged land be acquired by Government the Company will get the compensation. The mortgaged property is in my Khas possession and will remain so until all the dues are paid up. I shall not be able to transfer, mortgage or create any encumbrance or charge upon the property or relinquish the same in favour of superior landlord, and if I do so, it will be null and void. I shall maintain the boundaries of the mortgaged properties.

All the stipulations and terms of this mortgage deed will remain binding upon me as well as my heirs, representatives. and successors in interest. To the above effect after receiving the full amount in cash, I of my own free will and in sound body and mind do hereby execute this mortgage deed. This the _____ day of _____ . Thus ends the document.

(Schedule of mortgaged property.)

APPENDIX XII.

List of gentlemen conducting intensive village survey and of the villages surveyed.

Name.	Village.	Police-station.
<i>District Birbhūm.</i>		
1. Rai A. C. Banerjee Bahadur, Chairman, District Board.	Sultanpur ..	Suri.
2. Mr. Jogesh Ch. Rai, District Agricultural Officer	Singur ..	Suri.
3. Mr. Ali Hossain Bhuiyan, Circle Officer ..	Nagari ..	Rajnagar.
4. Mr. Naresh Ch. Sen, Co-operative Inspector	Tantipara ..	Ditto.
5. Mr. Abdul Azim, Vice-Chairman, District Board	Sekadda ..	Md. Bazar.
6. Mr. Abdul Halim, Co-operative Inspector ..	Md. Bazar	Ditto.
7. Dr. U. N. Ghose, District Health Officer, Birbhūm.	Matpalsa ..	Sainthia.
8. Mr. Bidyut Kumar Raha, Sub-Deputy Collector	Tilpara ..	Ditto.
9. Mr. Sashi Bhushan Chatterjee, Member, District Board.	Balijiri ..	Dubrajpur.
10. Mr. Bhupendra Nath Sen Gupta, Principal, Krishna Chandra College, Hetampur.	Jaspur ..	Ditto.
11. Mr. Deōendra Nath Chakravarty, Circle Officer.	Paigora garia.	Ken- Khoirazole.
12. Mr. Kshitish Ch. Mitra, Secretary, Central Bank	Batikar ..	Ilambazar.
13. Mr. Abdul Hye, Co-operative Inspector ..	Nanasole ..	Ditto.
14. Superintendent, Village Reconstruction, Sriniketan.	Raipur ..	Bolpur.
15. Mr. Jyoti Baran Chakravarty, Circle Officer ..	Bahiri ..	Ditto.
16. Mr. Jyoti Baran Chakravarty, Circle Officer ..	Gopalpur ..	Labpur.
17. Mr. Tara Sankar Banerji, Vice-Chairman, Union Board, Labpur.	Sahugram ..	Ditto.
18. Mr. Anadi Kinkar Roy, Chairman, Local Board ..	Bandar, Fatehpur.	Nanur.
19. Mr. Hari Sadan Mukherji, Circle Officer ..	Mohula, Goala	Moureswar.
20. Mr. Kalika Ranjan Mitra, Co-operative Inspector	Barsal ..	Rampurhat.
21. Mr. Lalit Kumar Dutt, Peripatetic Weaving Instructor.	Bhatina ..	Ditto.
22. Mr. Niradbaran Bhattacharjya, Circle Officer ..	Siura ..	Nalhati.
23. Mr. Upendra Nath Roy, Vice-Chairman, Local Board	Simulandi ..	Ditto.
24. Mr. Manomohan Barua, Co-operative Inspector	Laknamara ..	Ditto.
25. Mr. Niradbaran Bhattacharjya, Circle Officer ..	Bhadišwar ..	Murairai.
26. Mr. Raj Kumar Singh, Member, District Board	Murairai ..	Ditto.
<i>District Nadia.</i>		
1. Mr. Indubhusan Bhaduri, Secretary, Central Co-operative Bank.	Jahangirpur ..	Krishnagar.
2. Mr. Dinesh Chandra Chatterjee, Inspector of Co-operative Societies.	Dhubulia ..	Ditto.
3. Mr. Nandalal Bose, Vice-President, Union Board, assisted by Mr. Jyan Ranjan Mukherjee, Circle Officer.	Plassey ..	Kaliganj.
4. Mr. Ramesh Chandra Sinha, Assistant Secretary, Central Co-operative Bank, Krishnagar.	Bhaluka ..	Ditto.

Name.	Village.	Police-station.
5. Mr. Nani Gopal Mitra, Inspector, Co-operative Industrial.	Matuari	Kaliganj.
6. Mr. Jnan Ranjan Mukherjee, Circle Officer	Birpur	Nakashipara.
7. Mr. Sachindranath Adhikari, Auditor, Co-operative Society.	Majhergram	Ditto.
8. Dr. Hiralal Banerjee, District Health Officer.	Arangsarisa	Chapra.
9. Mr. Murari Mohan Sarkar, District Board Overseer.	Ranabandha	Ditto.
10. Mr. Surendra Nath De, Circle Officer, and Mr. S. Dutt, I.C.S.	Teorkhali	Nabadwip.
11. Mr. Surendra Nath De, Sub-Deputy Collector	Nidaya	Ditto.
12. Mr. S. K. Chatterjee, Assistant Magistrate, and Mr. S. N. De, Circle Officer.	Badkulla	Hanskhali.
13. Mr. Birinchi Lal Roy, Circle Officer	Mamjoani	Ditto.
14. Mr. Suresh Kumar Mukerjee, Supervisor, Central Bank.	Digambarpur	Kissenganj.
15. Collectorate Kamango	Adityapur	Ditto.

District Bogra.

1. Dr. Jogendra Chandra Choudhury, Vice-Chairman, District Board.	Malancha	Panchbibi.
2. Rai Sahib Kumud Chandra Das, Merchant, President, Union Board, Hili.	Ratanpur	Khetlal.
3. Moulvi Nadiralai, Organiser of Local Ganamandal	Hatsahar	Ditto.
4. Moulvi Maniruddin Shaikh, B.L., Pleader, P. O. Khetlal.	Karimpur	Ditto.
5. Moulvi Asadulla, President, Mokamtola Union Board.	Chakpara	Shibgunj.
6. Moulvi Maniruddin Ahmed, Jotedar	Mohabala	Ditto.
7. Babu Binode Gobinda Das, President Union Board.	Bhutiapara	Jaipurhat.
8. Babu Anadinath Sarkar, Manager, Jaipur Government Estates.	Khanjanpur	Ditto.
9. Babu Bijoy Chandra Kundu, Head Master, H. E. School, and President, Union Board.	Keshorta	Adamdighi.
10. Moulvi Afazulla Talukdar, President, Union Board.	Bhikni	Ditto.
11. Moulvi Nabiruddin Talukdar, B.L., Pleader, son of the President, Union Board.	Mahismurda	Dupchanchia.
12. Moulvi Khorsad Ali Choudhury, President, Union Board.	Talora	Ditto.
13. Moulvi Fazlur Rahman, Circle Officer	Gerail	Ditto.
14. Moulvi Rajikul Islam, Inspector, Co-operative Societies.	Durgapur	Kahaloe.
15. Moulvi Raisuddin Talukdar, Headmaster, M. E. School.	Dharampur	Ditto.
16. Moulvi Habibar Rahaman, B.A., Zamindar	Malgram	Ditto.
17. Babu Jogendra Nath Sarkar, Rai Saheb, Zamindar.	Malda.	Bogra.
18. Moulvi Abdul Bari, B.L., Pleader, Secretary, Padmapara Central Co-operative Bank.	Joybhoga	Ditto.
19. Moulvi Abdul Karim, President, Union Board	Saghatia	Gabtal.
20. Moulvi Md. Ibrahim, Khan Sahib, Secretary, Central Co-operative Bank, Bogra.	Chamurgachha	Ditto.
21. Babu Anath Gopal Sen, B.L., Mangar, Dighapati Raj.	Rahutadha	Shariakandi.

Name.	Village.	Police-station.
22. Maulvi Nasimoddzaman Talukdar ..	Bahalgachcha	Dhupot.
23. Maulvi Muhammad Ibrahim, B.L. ..	Pinderhati	Ditto.
24. Maulvi Mowla Bux, Zamindar, President, Union Board.	Dhankunthi	Sherpur
25. Babu Gokul Behari Sarkar, B.L., Manager, Taras Estate.	Kalyani	Ditto.

District Mymensingh.

1. Babu Surendra Nath Sen, B.L. ..	Pathalia	Jamalpur.
2. Babu Kamini Kanta Bhattacharjee, B.L. ..	Phulbaria	Ditto.
3. Maulvi Momin Uddin-Ahmed, Secretary, Sarisabari Central Bank.	Mulbari	Sarisabari
4. Maulvi Mahammad Hafezuddin ..	Tarakandi	Sarisabari.
5. Maulvi Mahammad Akhtroz zaman ..	Krishnapur	Nakhla.
6. Babu Purna Chandra Ghose, President, Union Board.	Bandhal Talki	Ditto.
7. Maulvi Musaraff Hossain, Member, District Board; President, Union Board.	Islampur (Mouza Jalla).	Islampur.
8. Babu Mohini Mohon Banerjee, Circle Officer ..	Napiterchar (Mouza Sharma-ra)	Ditto.
9. Rai Sahib Akhay Kumar Sen, Manager, Gouripur Estate.	Chakdaha	Melandaha.
10. Babu Agniswar Roy, Muktear ..	Melandaha	Ditto.
11. Maulvi Reaz Uddin Ahmed, Secretary, Madarganj Central Bank.	Balijuri (Balathbhara).	Madarganj.
12. Maulvi Rafat Uddin Talukdar, President, Union Board.	Fazilpur	Ditto.
13. Babu Himangsu Jyoti Mazumdar, Circle Officer, Sherpur.	Sapmari	Sherpur.
14. Maulvi Jamsed Ali, President, Union Board ..	Kamaria	Ditto.
15. Maulvi Nazirul Haque, Supervisor, Central Bank	Rajnagar	Nalitabari.
16. Babu Satish Chandra Ray, President, Union Board	Garkanda	Ditto.
17. Maulvi Muzaffar Hossain, Director, Co-operative Bank.	Chuniapara	Dewanganj.
18. Maulvi Azizur Rahaman, M.L.C., Member, District Board.	Filokhya	Ditto.
19. Maulvi Galam Muhammad, Muktear ..	Sribardi	Sribardi.
20. Maulvi Kafil Uddin Ahmed, President, Union Board.	Rani Simul	Ditto.

District Tippera.

1. Babu Jaineswar Bardhan, President, Union Board	Asikati	Chandpur.
2. Maulvi Serajul Huq Choudhury, Co-operative Inspector.	Sobhanpur	Ditto.
3. Maulvi Tafazzal Hossain, Secretary, Chandpur Central Bank.	Rupsa	Faridgunj.
4. Babu Nripendra Mohon Chakravarty, Circle Officer.	Char Basanta	Ditto.
5. Maulvi Golam Rahaman Khan, Secretary, Matlab Central Bank.	Ludhua	Matlab.
6. Maulvi Ahmad Razzak Choudhury ..	Kalipur	Matlab.
7. Maulvi Amin Mean, Hajiganj ..	Doalia	Hajiganj.
8. Babu Rup Chandra Saha, President, Union Board and Head Master.	Dherara	Ditto.
9. Maulvi Md. Karamat Ali Miah, Central Co-operative Bank (Chandpur).	Doghar	Kachua.
10. Maulvi Saiyed Fazl-ur Rahman, Senior Supervisor, Chandpur Central Bank.	Gohat	Kachua.

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